ANNUAL REPORT

of the Secretary of the Treasury on the State of the Finances

THE DEPARTMENT OF THE TREASURY 1789

FOR THE FISCAL YEAR ENDED JUNE 30, 1971

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DEPARTMENT OF THE TREASURY

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Secretary

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CONTENTS

	Page
Statement by the Secretary	XVII

REVIEW OF TREASURY OPERATIONS

Financial Operations	3
Summary	3
Receipts	4
Outlays	6
Cash and monetary assets	6
Corporations and other business-type activities of the Federal Government	7
Government-wide financial management	8
Federal Debt Management	10
Law Enforcement and Operations	26
Taxation Developments	31
International Financial Affairs	40

ADMINISTRATIVE REPORTS

Administrative Management	65
Comptroller of the Currency	72
Consolidated Federal Law Enforcement Training Center	70
Customs, Bureau of	77
Director of Practice, Office of	90
Domestic Gold and Silver Operations, Office of	91
Engraving and Printing, Bureau of	93
Equal Employment Opportunity, Office of	99
Fiscal Service:	
Accounts, Bureau of	101
Public Debt, Bureau of the	108
Treasurer of the United States, Office of the	113
Foreign Assets Control, Office of	120
Internal Revenue Service	122
Mint, Bureau of the	136
U.S. Savings Bonds Division	139
U.S. Secret Service	144

EXHIBITS

PUBLIC DEBT OPERATIONS, REGULATIONS, AND LEGISLATION

Treasury Notes Offered and Allotted

1. Treasury notes	155

Treasury Bills Offered and Tenders Accepted

2. Treasury bills	164

Regulations

3. Department Circular No. 653, December 12, 1969, Eighth Revision, Amendment No. 1, offering of United States savings bonds, Series E	175
4. Department Circular No. 905, December 12, 1969, Fifth Revision, Amendment No. 1, offering of United States savings bonds, Series H	269

Page

5. Department Circular No. 300, December 23, 1964, Third Revision, First Supplement, general regulations with respect to United States securities ... 311
6. Department Circular No. 653, December 12, 1969, Eighth Revision, Amendment No. 2, offering of United States savings bonds, Series E ... 317
7. Department Circular No. 905, December 12, 1969, Fifth Revision, Amendment No. 2, offering of United States savings bonds, Series H ... 321
8. Department Circular No. 3–67, June 19, 1968, Revised, Amendment No. 1, offering of United States savings notes ... 321

Legislation

9. An act to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act ... 322
10. An act to remove certain limitations on the granting of relief to owners of lost or stolen bearer securities of the United States, and for other purposes ... 322

ECONOMIC AND FINANCIAL POLICY

11. Remarks of Secretary Kennedy, October 19, 1970, before the American Life Convention, Washington, D.C., on economic policy and credit flows ... 323
12. Review by Secretary Kennedy of Department of the Treasury accomplishments during the previous 2 years, January 20, 1971 (issued as a press release) ... 325
13. Remarks by Under Secretary Walker, November 10, 1970, before the annual convention of the United States Savings and Loan League, San Francisco, Calif., on the Treasury views of the savings and loan industry ... 328
14. Remarks by Under Secretary for Monetary Affairs Volcker, September 28, 1970, before the annual meeting of the Boston Stock Exchange, Boston, Mass., on economic and financial problems ... 333
15. Remarks by Assistant Secretary Weidenbaum, October 8, 1970, before the Board of Directors of the Federal Reserve Bank of St. Louis, Little Rock, Ark., on fiscal policy for a period of transition ... 337

REVENUE SHARING

16. Remarks by Assistant Secretary Weidenbaum, April 19, 1971, before the Forum on Federalism, St. Louis, Mo., on the case for revenue sharing ... 341
17. Remarks of Assistant Secretary Weidenbaum, May 3, 1971, before the Economic Club of Detroit, Mich., on the future of the public sector ... 351

PUBLIC DEBT AND FINANCIAL MANAGEMENT

18. Statement by Secretary Connally, February 17, 1971, before the House Ways and Means Committee, on the public debt limit and 4¼ percent interest rate ceiling ... 355
19. Statement by Secretary Connally, March 8, 1971, before the Senate Finance Committee, on the public debt limit and the 4¼ percent interest rate ceiling ... 364
20. Remarks by Deputy Under Secretary for Monetary Affairs MacLaury, September 21, 1970, before the National Association of Bank Women, Washington, D.C., on debt management and its relevance for economic policy ... 367
21. Remarks by Deputy Under Secretary for Monetary Affairs MacLaury, October 16, 1970, before the Municipal Conference of the Investment Bankers Association of America, San Antonio, Tex., on the impact of the Federal Government on the market for State and local securities ... 370
22. Remarks by Assistant Secretary Weidenbaum, October 6, 1970, before the Municipal Finance Forum, Washington, D.C., on a reevaluation of Federal credit programs ... 372

Page

23. Remarks by Assistant Secretary Weidenbaum, November 19, 1970, before the National Association of Regulatory Utility Commissioners, Las Vegas, Nev., on the outlook for financing and inflation ... 375
24. Other Treasury testimony on Federal debt management, revenue sharing and closely related subjects published in hearings before congressional committees, July 1, 1970–June 30, 1971 ... 379

TAXATION DEVELOPMENTS

25. Letter from Secretary Kennedy to the Speaker of the House, July 30, 1970, submitting recommendations for postponement of scheduled reductions in excise taxes on automobiles and communication services, acceleration in time of payment of gift and estate taxes, and a tax on the lead content of additives used in gasoline. (A similar letter was addressed to the President of the Senate.) ... 380
26. Statement by Secretary Kennedy, September 9, 1970, before the House Committee on Ways and Means, on measures relating to a tax on lead additives used in the refining of gasoline, on acceleration in the required time of payment of gift and estate taxes, and a 1-year postponement of scheduled reductions in the automobile and communication services excise taxes ... 384
27. Statement by Assistant Secretary Cohen, October 9, 1970, before the Senate Finance Committee on the Department of the Treasury's proposal of a Domestic International Sales Corporation ... 387
28. Statements by President Nixon and Secretary Kennedy, January 11, 1971, on the asset depreciation range system ... 392
29. Letter from Secretary Kennedy to the Speaker of the House, February 1, 1971, submitting a draft bill to ease the tax burden of small business. (A similar letter was addressed to the President of the Senate.) ... 394
30. Treasury news release, June 22, 1971, announcing the adoption of the asset depreciation range (ADR) system ... 395
31. Other Treasury testimony published in hearings before congressional committees, July 1, 1970–June 30, 1971 ... 425

LAW ENFORCEMENT DEVELOPMENTS

32. Statement of Assistant Secretary Rossides, July 15, 1970, before the Permanent Subcommittee on Investigations of the Senate Government Operations Committee ... 426
33. Remarks of Assistant Secretary Rossides, December 23, 1970, before the first graduating class of the Treasury Air Security Officer School, Washington, D.C., on President Nixon's anti-air-piracy program ... 430
34. Excerpts of remarks of Assistant Secretary Rossides, April 8, 1971, before the 16th graduating class of the Treasury Air Security Officer School, Washington, D.C ... 432
35. Remarks of Assistant Secretary Rossides, May 20, 1971, before the 50th annual meeting of the American Importers Association, New York, N.Y., on the Antidumping Act, 1921—2 years of rejuvenation ... 433
36. Remarks of Assistant Secretary Rossides, June 9, 1971, at news briefing on proposed regulations on financial recordkeeping and reporting of currency and foreign transactions ... 436
37. Remarks of Assistant Secretary Rossides, June 17, 1971, before the Government-Industry Cargo Security Conference, Washington, D.C., on the administration's action program to combat theft of international cargo ... 437
38. Statement of Assistant Secretary Rossides, June 25, 1971, before the Senate Subcommittee on Treasury, Post Office, and General Government Appropriations, concerning the antinarcotics budget amendment for fiscal 1972 ... 441
39. Key points made in anti-drug-abuse speeches delivered during fiscal 1971 by Assistant Secretary Rossides ... 443
40. Remarks by Assistant Secretary Rossides, June 25, 1971, at the graduation exercises of the Executive Protective Service ... 444

MONETARY AFFAIRS

Page

41. Notice of termination of silver deposits at Mints for exchange, October 5, 1970 ... 445
42. Amendments and revisions to the silver regulations, December 9, 1970 ... 445

Coinage Legislation

43. Title II of an act to amend the Bank Holding Company Act of 1956, and for other purposes ... 450

INTERNATIONAL FINANCIAL AND MONETARY DEVELOPMENTS

44. Remarks by Secretary Kennedy as Governor for the United States, September 22, 1970, at the joint annual discussion of the Boards of Governors of the International Monetary Fund and the International Bank, Copenhagen, Denmark ... 451
45. Address by Secretary Kennedy, November 24, 1970, before the American Jewish Committee, New York City, on "Trade Expansion—The World at a Crossroads" ... 455
46. Statement by Secretary Connally, February 26, 1971, before the Joint Economic Committee ... 458
47. Statement by Secretary Connally, May 17, 1971, before the Subcommittee on International Trade of the Senate Finance Committee ... 459
48. Letter from Secretary Connally, May 19, 1971, to the President of the Senate, transmitting legislation to provide for increased participation by the United States in the International Development Association. (An identical letter was sent to the Speaker of the House.) ... 461
49. Remarks by Secretary Connally May 28, 1971, at the international banking conference of the American Bankers Association, Munich, Germany ... 463
50. Remarks by Under Secretary Walker as Temporary Alternate Governor for the United States, May 11, 1971, at the 12th annual meeting of the Inter-American Development Bank, Lima, Peru ... 467
51. Statement by Under Secretary Walker, June 4, 1971, before the Senate Foreign Relations Committee on S. 748, a bill to increase resources of the Fund for Special Operations of the Inter-American Development Bank ... 469
52. Statement by Under Secretary Walker, June 8, 1971, before the Subcommittee on Foreign Operations of the Senate Appropriations Committee on fiscal year 1972 appropriations for international financial institutions ... 477
53. Statement by Under Secretary for Monetary Affairs Volcker, October 9, 1970, before the Senate Finance Committee, on trade legislation ... 479
54. Remarks by Under Secretary for Monetary Affairs Volcker, December 29, 1970, at the joint annual meeting of the American Finance, Economic, and Statistical Associations, Detroit, Mich., on domestic expansion and external responsibilities ... 481
55. Remarks by Under Secretary for Monetary Affairs Volcker, January 14, 1971, before the 1971 conference on "Containing Inflation in the Environment of the 1970's" of The Conference Board, New York, N.Y., on world inflation and the international payments system ... 486
56. Statement by Under Secretary for Monetary Affairs Volcker, March 15, 1971, before the Senate Finance Committee on extension of the Interest Equalization Tax ... 491
57. Remarks by Under Secretary for Monetary Affairs Volcker, May 3, 1971, before the International Economic Forum, Chicago, Ill., on the evolving international financial system ... 496
58. Statement by Under Secretary for Monetary Affairs Volcker, June 17, 1971, before the Subcommittee on International Exchange and Payments of the Joint Economic Committee ... 501
59. Statement by Under Secretary for Monetary Affairs Volcker, June 24, 1971, before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee ... 504

Page

60. Remarks by Assistant Secretary Petty as Temporary Alternate Governor for the United States, April 16, 1971, at the 4th annual meeting of the Asian Development Bank, at Singapore 507
61. Statement by Assistant Secretary Petty, May 20, 1971, before the Subcommittee on International Trade of the House Committee on Banking and Currency 509
62. Statement by Assistant Secretary Petty, June 8, 1971, before the Foreign Operations Subcommittee of the Senate Appropriations Committee on fiscal year 1972 appropriations for international financial institutions 512
63. Press release, January 7, 1971, announcing the basic restraints on capital outflows to be maintained in 1971 520
64. Press release, April 1, 1971, announcing Treasury's first Eurodollar borrowing 521
65. Press release, May 7, 1971, announcing removal of all controls on use of dollars in transactions with People's Republic of China 522
66. Press release, May 24, 1971, announcing a Treasury borrowing of Eurodollars 524
67. Press release, June 28, 1971, announcing special securities arrangement between the U.S. Treasury and the German Bundesbank 524
68. Other Treasury testimony published in hearings before congressional committees, July 1, 1970–June 30, 1971 524

ORGANIZATION AND PROCEDURE

69. Treasury Department orders relating to organization and procedure 525

ADVISORY COMMITTEES

70. Advisory committees utilized by the Department of the Treasury under Executive Order 11007 533

INDEX 553

STATISTICAL APPENDIX

The tables to this Annual Report will be published in the separate Statistical Appendix.

NOTE.—Details of figures may not add to totals because of rounding.

Secretaries, Under Secretaries, General Counsels, Assistant Secretaries, and Deputy Under Secretaries for Monetary Affairs, serving in the Department of the Treasury from January 21, 1969, through June 30, 1971 [1]

Term of service		Officials
From	To	
		Secretaries of the Treasury
Jan. 22, 1969	Feb. 10, 1971	David M. Kennedy, Illinois.
Feb. 11, 1971	--------------	John B. Connally, Texas.
		Under Secretary
Jan. 27, 1969	--------------	Charls E. Walker, Texas.
		Under Secretary for Monetary Affairs
Jan. 27, 1969	--------------	Paul A. Volcker, New Jersey.
		General Counsels
Apr. 1, 1969	Mar. 20, 1970	Paul W. Eggers, Texas.
July 1, 1970	--------------	Samuel R. Pierce, Jr., New York.
		Assistant Secretaries
May 15, 1968	--------------	John R. Petty, New York.
Mar. 11, 1969	--------------	Edwin S. Cohen, Virginia.
Apr. 1, 1969	--------------	Eugene T. Rossides, New York.
June 23, 1969	--------------	Murray L. Weidenbaum, Missouri.
		Deputy Under Secretaries of the Treasury for Monetary Affairs
Feb. 12, 1968	Mar. 31, 1969	Frank W. Schiff, New York.
Apr. 1, 1969	June 30, 1971	Bruce K. MacLaury, New Jersey.
		Fiscal Assistant Secretary
June 15, 1962	--------------	John K. Carlock, Arizona.
		Assistant Secretaries for Administration
Sept. 14, 1959	Oct. 24, 1970	A. E. Weatherbee, Maine.
Oct. 25, 1970	--------------	Ernest C. Betts, Jr., Wisconsin.

[1] For officials from Sept. 11, 1789, to Jan. 20, 1969, see 1969 Annual Report, pp. 382-390.

PRINCIPAL ADMINISTRATIVE AND STAFF OFFICERS OF THE DEPARTMENT OF THE TREASURY AS OF JUNE 30, 1971

Secretary of the Treasury	John B. Connally
Staff Assistant to the Secretary	William P. Pannill
Confidential Assistant to the Secretary	Rose M. Cicala
Under Secretary of the Treasury	Charls E. Walker
Assistant to the Under Secretary	Edward J. Gannon
Staff Assistant to the Under Secretary	William H. Beasley III
Under Secretary for Monetary Affairs	Paul A. Volcker
Deputy Under Secretary for Monetary Affairs	Bruce K. MacLaury
Special Assistant to the Secretary (Debt Management)	Richard V. Adams
General Counsel	Samuel R. Pierce, Jr.
Deputy General Counsel	Roy T. Englert
Assistant General Counsel and Chief Counsel, IRS	K. Martin Worthy
Assistant General Counsel	Charlotte Tuttle Lloyd
Assistant General Counsel	Michael Bradfield
Assistant General Counsel	Hugo A. Ranta
Assistant General Counsel	Donald L. E. Ritger
Enforcement Legislative Counsel	G. Gordon Liddy
Director of Practice	William H. Sager
Director, Office of Equal Opportunity Program	David A. Sawyer
Assistant Secretary (Tax Policy)	Edwin S. Cohen
Deputy Assistant Secretary for Tax Policy	John S. Nolan
Deputy Assistant Secretary for Tax Policy (Tax Analysis)	Joel E. Segall
Associate Director, Office of Tax Analysis	Gerard M. Brannon
Assistant Director	Richard E. Slitor
Assistant Director	Thomas F. Leahey
Assistant Director, Office of Tax Analysis and Director, Office of International Tax Affairs	Nathan N. Gordon
Assistant Director	Gabriel G. Rudney
Chief Excise Taxation Staff	John Copeland
Chief Business Taxation Staff	Seymour Fiekowsky
Chief Aggregate Economic Forecasting Staff	Ralph B. Bristol
Tax Legislative Counsel	John E. Chapoton
Deputy Tax Legislative Counsel	John C. Richardson
Associate Tax Legislative Counsel	Jerry L. Oppenheimer
International Tax Counsel	Robert T. Cole
Deputy International Tax Counsel	Robert J. Patrick, Jr.
Assistant Secretary (Economic Policy)	Murray L. Weidenbaum
Deputy to the Assistant Secretary	Robert L. Joss
Director, Office of Domestic Gold and Silver Operations	Thomas W. Wolfe
Director, Office of Financial Analysis	John H. Auten
Director, Office of Debt Analysis	Edward P. Snyder

Assistant Secretary (Enforcement, Tariff and Trade Affairs, and Operations)	Eugene T. Rossides
Deputy Assistant Secretary	Matthew J. Marks
Director, Office of Tariff and Trade Affairs	William L. Dickey
Director, Office of Operations	William F. Hausman
Director, Office of Law Enforcement	Martin R. Pollner
Special Assistant (Secret Service)	John Sherwood
INTERPOL (National Central Bureau) Chief	Kenneth S. Giannoules
Director, Consolidated Federal Law Enforcement Training Center	Vacancy
Deputy Director, Consolidated Federal Law Enforcement Training Center	Robert G. Efteland
Assistant Secretary (International Affairs)	John R. Petty
Deputy to the Assistant Secretary for International Monetary Affairs	George H. Willis
Inspector General for International Finance	Ralph Hirschtritt
Deputy Assistant Secretary for Trade and Investment Policy	Donald A. Webster
Deputy Assistant Secretary for Development Finance	John M. Hennessy
Deputy Assistant Secretary for Industrial Nations Finance	William C. Cates
Deputy Assistant Secretary for Research	Wilson F. Schmidt
Fiscal Assistant Secretary	John K. Carlock
Deputy Fiscal Assistant Secretary	Sidney S. Sokol
Assistant Fiscal Assistant Secretary	Boyd A. Evans
Assistant Fiscal Assistant Secretary	Sidney Cox
Assistant Secretary for Administration	Ernest C. Betts, Jr.
Deputy Assistant Secretary and Director, Office of Management and Organization	Norman E. Sims, Jr.
Director, Office of Budget and Finance	J. Elton Greenlee
Director, Office of Planning and Program Evaluation	Benjamin Caplan
Director, Office of Personnel	Amos N. Latham, Jr.
Director, Office of Administrative Programs	Robert R. Fredlund
Director, Office of Security	Thomas M. Hughes
Director, Office of Audit	Wilbur R. DeZerne
Director, Office of Central Services	Norman J. McKenzie
Special Assistant to the Secretary (Public Affairs)	Calvin E. Brumley
Deputy Special Assistant to the Secretary	Alan B. Wade
Special Assistant to the Secretary (National Security Affairs)	Anthony J. Jurich
Deputy Special Assistant to the Secretary	John J. McGinnis
Special Assistant to the Secretary (Congressional Relations)	James E. Smith
Deputy Special Assistant to the Secretary	Gene A. Knorr
Senior Consultant	Henry C. Wallich
Deputy Assistant to the Secretary (Director, Executive Secretariat)	Douglas C. Frechtling

BUREAU OF ACCOUNTS

Commissioner of Accounts	L. David Mosso
Assistant Commissioner	Vacancy
Comptroller	Steve L. Comings
Chief Disbursing Officer	Lester W. Plumly
Director, Government Financial Operations	Sebastian Fama

BUREAU OF CUSTOMS

Commissioner of Customs	Myles J. Ambrose
Deputy Commissioner of Customs	Edwin F. Rains
Assistant Commissioner, Office of Administration	Glenn R. Dickerson

Assistant Commissioner, Office of Investigations	Harold F. Smith
Assistant Commissioner, Office of Operations	David C. Ellis
Assistant Commissioner, Office of Regulations and Rulings	Robert V. McIntyre
Chief Counsel	Alfred H. Golden

BUREAU OF ENGRAVING AND PRINTING

Director, Bureau of Engraving and Printing	James A. Conlon
Deputy Director, Bureau of Engraving and Printing	Donald C. Tolson

BUREAU OF THE MINT

Director of the Mint	Mrs. Mary T. Brooks
Deputy Director of the Mint	Vacancy
Assistant Director	Sidney F. Carwile

BUREAU OF THE PUBLIC DEBT

Commissioner of the Public Debt	H. J. Hintgen
Assistant Commissioner	Vacancy
Deputy Commissioner	J. J. Lubeley
Chief Counsel	Thomas J. Winston, Jr.
Deputy Commissioner in Charge, Chicago Office	Michael E. McGeoghegan

INTERNAL REVENUE SERVICE

Commissioner of Internal Revenue	Johnnie M. Walters (Designate)
Deputy Commissioner	Harold T. Swartz (Acting)
Assistant Commissioner (Administration)	Edward F. Preston
Assistant Commissioner (Inspection)	Vernon D. Acree
Assistant Commissioner (Compliance)	Donald W. Bacon
Assistant Commissioner (Accounts, Collection, and Taxpayer Service)	Dean J. Barron
Assistant Commissioner (Planning and Research)	Albert W. Brisbin
Assistant Commissioner (Technical)	Harold T. Swartz
Chief Counsel	K. Martin Worthy

OFFICE OF THE COMPTROLLER OF THE CURRENCY

Comptroller of the Currency	William B. Camp
First Deputy Comptroller	Justin T. Watson
Administrative Assistant to the Comptroller	W. A. Howland
Deputy Comptroller	Thomas G. DeShazo
Deputy Comptroller	John D. Gwin
Deputy Comptroller for Economics	David C. Motter
Chief National Bank Examiner	F. H. Ellis
Deputy Comptroller (Mergers and Branches)	R. J. Blanchard
Deputy Comptroller (FDIC Affairs)	Albert J. Faulstich
Deputy Comptroller (Trusts)	Dean E. Miller
Chief Counsel	Robert Bloom

OFFICE OF THE TREASURER OF THE UNITED STATES

Treasurer of the United States	Mrs. Dorothy Andrews Kabis
Deputy Treasurer	Wiliam T. Howell
Assistant Deputy Treasurer	Willard E. Scott

U.S. SAVINGS BONDS DIVISION

National Director	Elmer L. Rustad
Assistant National Director	Vacancy
Director of Marketing	Jesse L. Adams, Jr.
Director of Advertising and Promotion	Edmund J. Linehan

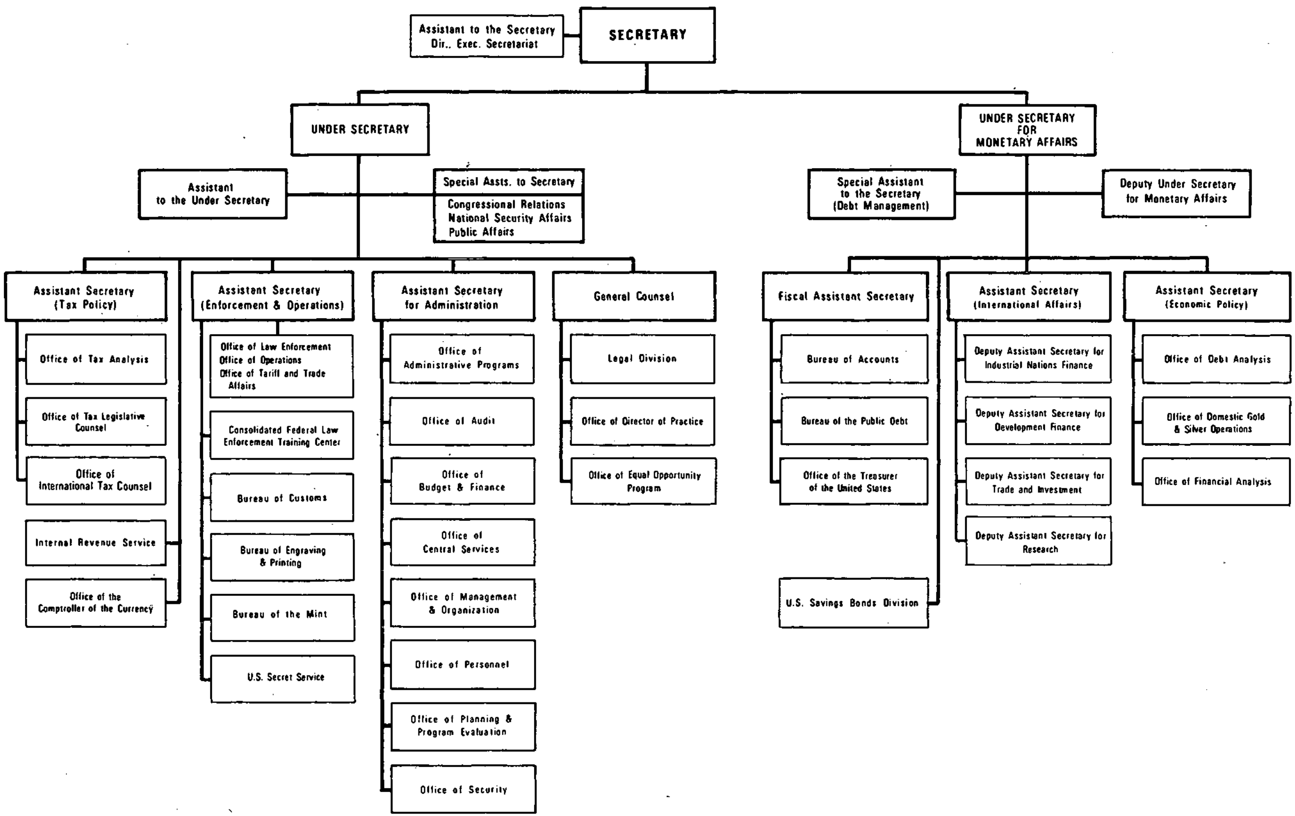
U.S. SECRET SERVICE

Director	James J. Rowley
Deputy Director	Vacancy
Assistant Director (Administration)	H. Stuart Knight
Assistant Director (Investigations)	Burrill A. Peterson
Assistant Director (Protective Forces)	Lilburn E. Boggs
Assistant Director (Protective Intelligence)	Thomas J. Kelley

COMMITTEES AND BOARDS

Chairman, Treasury Management Committee	Ernest C. Betts, Jr.
Chairman, Treasury Awards Committee	Amos N. Latham, Jr.
Principal Compliance Officer	Samuel R. Pierce, Jr.
Equal Employment Opportunity Officer	Samuel R. Pierce, Jr.
Chairman, Advisory Committee on Ethical Standards	Samuel R. Pierce, Jr.

ORGANIZATION OF THE DEPARTMENT OF THE TREASURY



ANNUAL REPORT ON THE FINANCES

DEPARTMENT OF THE TREASURY,
Washington, November 24, 1971.

SIRS: This annual report on the finances of the Federal Government for fiscal 1971 has been prepared in accordance with 31 U.S.C. 1027. The introduction gives an overview of major economic and financial developments during fiscal 1971. The main text of the report and its supporting data provide detailed information on the operations and administrative activities of the Department of the Treasury. The supporting tabular data follow in the separate Statistical Appendix.

The Overview

The National Economy

Economic expansion resumed in fiscal 1971. By the beginning of the fiscal year, fiscal and monetary policies had successfully eliminated excess demand inflation, and moved the level of total spending toward a more appropriate relationship with the economy's productive potential. This task was complicated by the continued adjustment from a wartime to a peacetime economy. The reduction in our armed forces substantially increased the civilian labor force. Furthermore, expenditures for national defense, on a national income accounts basis, fell during the fiscal year from more than $75 billion to about $72 billion. The return to a full employment level of income without inflation was further complicated by cost-push pressures in many sectors of the economy.

The Nation's Gross National Product measured in constant dollars grew almost two and one-half percent over the fiscal year. The rate of unemployment rose during this period, but by the end showed distinct signs of levelling off. Inflation slowed significantly. The implicit price deflator for GNP, the broadest measure of prices in the economy, slowed to a 4.7 percent annual rate of increase in the second half of the fiscal year from 5.7 percent in the first.

Fiscal and monetary policies were designed to encourage growth while continuing to reduce the rate of inflation. The budget for fiscal 1971 shifted into a less restrictive position in order to promote an orderly economic expansion. Full employment revenues were esti-

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mated to be slightly more than projected expenditures, producing a balanced budget were the economy operating at full employment. The actual budget deficit was estimated at $18.6 billion in the January 1971 budget document.

In January 1971, the President announced liberalized depreciation in the form of the asset depreciation range (ADR) system. The tax change was designed both to reform the existing system of depreciation of productive machinery and equipment for tax purposes and to stimulate private investment.

The actual budget deficit for fiscal 1971 was $23.0 billion, reflecting total receipts of $188.4 billion and total outlays of $211.4 billion. The chief cause of the deficit increase over earlier estimates was a decline in corporate tax receipts reflecting a fall-off in corporate profits below projected levels.

The problems of financing the budget deficit were complicated somewhat by the concentration of the public debt in short-term issues. Out of a total of $232.6 billion of marketable public debt outstanding at the beginning of the year, $105.5 billion was scheduled to mature—and required refunding—within the next 12 months. The required financing operations were conducted successfully and without disruptive effect on the credit markets.

An important development in fiscal 1971 was the legislation providing long-sought relief from the 4¼-percent interest rate ceiling on Treasury bonds. In March 1971 the Congress authorized the Treasury to issue up to $10 billion of Treasury bonds without regard to the 4¼-percent limitation.

Monetary policy also became stimulative. The money supply during the second half of the year expanded at a rate more than twice that of the first. Interest rates declined markedly across the board, and by the end of the fiscal year stood fifty to three hundred basis points below their levels at the beginning. Declines were particularly impressive among short-term securities. For example, 3-month Treasury bill rates fell below 4 percent in early 1971, after having been above 7 percent during most of fiscal 1970.

The amount of loanable funds raised and supplied directly in the financial markets grew sharply during the year, particularly in the final quarter. The year was relatively free of the disorderly financial market conditions which characterized some previous years. Thrift institutions experienced heavy inflows of individual savings, a welcome trend.

Specific Treasury Activities

Innovations in the debt management area in fiscal 1971 included the sale of Treasury notes through competitive auctions, instead of through the usual method of offering notes at prices set in advance, and the sale of Federal securities directly in the Eurodollar market.

Over half of the Treasury's cash requirements to finance the budget deficit were met by increases in the regular offerings of weekly and monthly bills and from additional Treasury bill sales in the form of "strips." The balance of cash requirements was raised through tax anticipation bills and short-term notes. The average length of the privately held marketable public debt declined by 2 months to 3 years 6 months although notes with maturities in excess of 5 years were offered in three of the quarterly refundings during the year. However, this slight decline represented a substantial improvement over the marked decline in the term structure experienced in previous years.

As of June 30, 1971, Federal securities outstanding totaled $410 billion, comprised of $398 billion in Treasury securities and $12 billion in budget agency securities. Of the total of $410 billion, $304 billion represented borrowing from the public.

Federally-sponsored credit agencies increased their outstanding debt by $1.3 billion during fiscal 1971 compared with $11 billion in fiscal 1970. However, the total of federally assisted credit financed outside the budget, which includes loans guaranteed or insured by Government agencies as well as borrowing by sponsored agencies, increased substantially. Net federally assisted borrowing in fiscal 1971 amounted to $18.2 billion, up from $15.1 billion in fiscal 1970. Citing the impact on fiscal and debt management policies of these nonbudget programs, the President in his January budget message stated that he will propose legislation to enable them to be reviewed and coordinated with other Government programs.

Notable legislative developments in Federal credit assistance during fiscal 1971 were the submission to the Congress of the Emergency Loan Guarantee Act (the "Lockheed bill") to secure authority for Federal guarantees on loans to major business enterprises essential to the national interest, and the passage of the Securities Investor Protection Act of 1970, which protects investors against losses arising from financial failures of registered broker and dealer firms. In three separate acts (Public Law, 91–296, Public Law 91–617, and Public Law 91–609), the Congress authorized for the first time the financing of municipal borrowings in the taxable bond market. These acts provide for Federal guarantees and interest subsidies on certain municipal obligations coupled with the stipulation that the interest receipts from such obligations shall not be exempt from Federal income taxation.

In the field of taxation a major development was the adoption of final regulations making effective a simplified system for depreciation of machinery, equipment, and certain other property—formally known as the asset depreciation range system (ADR). The President announced this action on January 11, 1971, and final regulations were published in the Federal Register on June 23, 1971.

Following the President's recommendations, the Congress postponed the reduction in excise taxes on automobiles and telephone services previously scheduled to take effect on January 1, 1971 (Public Law 91–614).

Several amendments to the Social Security Act (Public Law 92–5) increased monthly cash benefits and raised the maximum amount of earnings subject to social security taxes from $7,800 to $9,000. Also, Public Law 91–373 extended coverage and benefits for unemployment insurance and improved financing of the program.

Proposals were sent to Congress in January 1971 to: (1) Increase the tax on diesel fuel and change the use tax on heavy trucks to a graduated weight basis, (2) increase the air-ticket taxes to finance the air security program, and (3) broaden the coverage of the tax on wagering and revise the law to protect the constitutional rights of the taxpayers.

In the international tax area, the enactment of Public Law 91–508 required U.S. taxpayers to furnish information on their foreign financial accounts, thus enabling IRS to deal more effectively with tax evasion. The interest equalization tax, which was scheduled to expire March 31, 1971, was extended at the request of the Treasury for 2 more years. The Treasury proposal for the formation of Domestic International Sales Corporations (DISC) was approved by the House but was not passed by the Senate.

In the area of law enforcement, Treasury continued to strengthen its activities at every level. In fiscal 1970, the Treasury Department obtained an $8.7 million supplemental appropriation to improve customs control of drug smuggling. The increases in personnel and other resources made possible by this appropriation yielded high dividends during fiscal 1971 as attested by the record number of narcotic seizures and arrests of smugglers made by the Bureau of Customs. More heroin and cocaine were seized during fiscal 1971 than the aggregate of such seizures over the previous 7 years. Treasury's Office of Law Enforcement supervised the development in 1971 of an Internal Revenue Service program for nationally coordinated tax investigations of middle and upper level distributors and financiers involved in narcotics trafficking. Also, the Congress extended the Secret Service's responsibilities to afford protection to visiting chiefs of state and other high foreign visitors, and approved the development of a force of security officers to combat aircraft hijackings.

International Developments

In fiscal 1971, the international area, like the domestic sector, underwent a series of difficulties. Here, too, it became increasingly clear that new initiatives would be required.

During the fiscal year significant differences in monetary conditions and interest rates among the major countries stimulated massive flows of interest-sensitive, short-term capital from the United States to Europe, particularly to Germany. These large flows resulted in a deficit in the U.S. balance of payments, on the basis of recorded current and long-term capital transactions, of $5.6 billion in fiscal 1971 compared with $2.9 billion in fiscal 1970.

Moreover, these short-term capital flows brought into sharp relief the problems which can be associated with volatile monetary movements and the significant differences that can arise between the balances of payments of various countries on underlying transactions and the balances including short-term capital. Made more intensive by speculative factors in April and May 1971, the large movements of liquid funds led to the closing of several European exchange markets in May and to subsequent changes in exchange rates or exchange rate practices by Germany, the Netherlands, Belgium, Switzerland, and Austria.

In January 1971 the United States acted to mitigate the effects of the runoff of Eurodollar borrowings by U.S. banks. This action took the form of a $1 billion issue of 3-month promissory notes by the Export-Import Bank of the United States to U.S. branch banks abroad. The effect was to absorb a portion of the repayments of the head offices in the United States and to bolster declining Eurodollar interest rates. A further issue of $0.5 billion was made in March, and a subsequent issue was made directly by the Department of the Treasury for $1.5 billion in April, for a total of $3 billion. The 3-month securities were rolled over as they matured through the end of fiscal 1971, with Treasury certificates being substituted for the March issue of Export-Import Bank notes.

The earlier decision for a general increase in members' quotas in the IMF (International Monetary Fund) was put into effect during fiscal 1971, and the second allocation of Special Drawing Rights (SDR) by the IMF, in the amount of $2.9 billion (one SDR equals $1), was made as scheduled on January 1, 1971. Recognition that official Eurodollar placements on the market were in fact feeding the excessive flows of capital into their own countries and into their own official reserves led the central banks of the leading European countries during the first half of calendar 1971 to agree not to increase the level of their placements on the Eurodollar market at that time and to reduce the level of those placements as market conditions permitted.

Substantial interest rate differentials persisted into early calendar 1971 and, although underlying monetary factors in the countries concerned were producing a narrowing of the differentials, large movements of short-term capital and official reserves continued. Global reserves rose sharply during the first quarter of calendar 1971, to the level of $98.7 billion. Industrial Europe accounted for more than $3½ billion of the increase in reserves during the quarter with Germany alone recording an increase of $2.2 billion. Japanese reserves also increased further, by $1 billion, during the quarter.

The Executive Directors of the IMF issued an interim report on their studies of possible improvements in the international monetary system, which was discussed at the annual meeting of the IMF in September 1970 and by the Ministers and Governors of the Group of Ten. These discussions led to further examination in the IMF of certain techniques of limited exchange rate flexibility which were considered worthy of additional study.

A new format for presenting the balance of payments statistics was established in fiscal 1971. The principal change was the introduction of a new analytical table centered around three groups of balances: (1) The balances concerned with goods, services and unilateral transfers; (2) two new balances—the balance on current and long-term capital transactions and the net liquidity balance; and (3) the familiar balance on official reserve transactions.

The new balance on current account and long-term capital was introduced to serve as a rough indicator of long-term underlying trends in the U.S. balance of payments although it was to include such transactions only to the extent that they were recorded or estimated.

The net liquidity balance was introduced to measure the balance on nonmonetary transactions but included monetary transactions which were not recorded.

Conclusion

By the close of the fiscal year, it was apparent that new economic measures would be required to cope with the problems of inflation, unemployment, and the international balance of payments. As a result, President Nixon announced a comprehensive new economic policy to the American people and to the world on the night of August 15.

John B. Connally,
Secretary of the Treasury.

To the President of the Senate.
To the Speaker of the House of Representatives.

REVIEW OF TREASURY OPERATIONS

Financial Operations

Summary

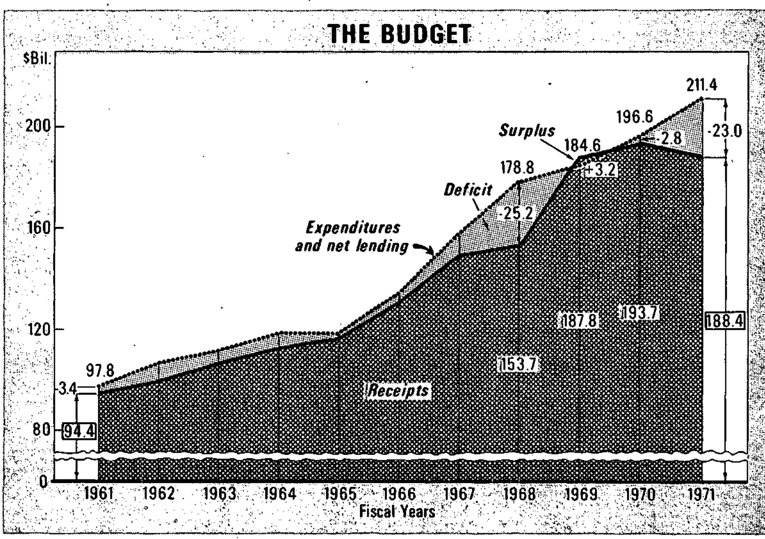
On the unified budget basis the deficit for fiscal 1971 was $23.0 billion (compared with a deficit of $2.8 billion for fiscal 1970). Net receipts for fiscal 1971 amounted to $188.4 billion ($5.4 billion under 1970) and outlays totaled $211.4 billion ($14.8 billion over 1970).

Borrowing from the public amounted to $19.4 billion. Increases in deposit fund and other liabilities of $2.7 billion, seigniorage of $.4 billion, and all other financing of $.6 billion provided the rest of the financing for the $23.0 billion deficit. As of June 30, 1971, Federal securities outstanding totaled $410 billion, comprised of $398 billion in public debt securities and $12 billion in agency securities. Of the $410 billion, $304 billion represented borrowing from the public. The Government's fiscal operations in fiscal years 1970–71 are summarized as follows:

[In billions of dollars]

	1970		1971	
Budget receipts and outlays:				
Expenditure account:				
Receipts	193.7		188.4	
Expenditures	194.5		210.3	
Expenditure account surplus, or deficit (−)		−0.7		−21.9
Loan account:				
Disbursements	8.3		8.1	
Repayments	6.2		7.0	
Net lending		−2.1		−1.1
Total budget:				
Receipts	193.7		188.4	
Outlays	196.6		211.4	
Budget surplus, or deficit (−)		−2.8		−23.0
Means of financing:				
Borrowing from the public, increase, or decrease (−)	5.4		19.4	
Reduction of cash and monetary assets, decrease, or increase (−)	−1.6		(*)	
Other	−1.1		3.6	
Total budget financing		2.8		23.0

*Less than $50 million.



Receipts

Total receipts fell off in fiscal 1971, after rising in each of the preceding 11 years, amounting to $188.4 billion, $5.4 billion below fiscal 1970. The decline in receipts was concentrated in the individual and corporation income taxes, where the termination of the income tax surcharge on June 30, 1970, was the dominant factor. Also contributing to the decline were certain relief measures under the Tax Reform Act of 1969, the downturn in business profits in calendar 1970, and the General Motors strike.

A comparison of net budget receipts by major sources for fiscal years 1970 and 1971 is shown below.

[In millions of dollars]

	1970	1971	Increase or decrease (−)
Individual income taxes	90,412	86,230	−4,182
Corporation income taxes	32,829	26,785	−6,045
Employment taxes	39,133	41,699	2,566
Unemployment insurance	3,464	3,674	210
Contributions for other insurance and retirement	2,701	3,205	504
Excise taxes	15,705	16,614	909
Estate and gift taxes	3,644	3,735	91
Customs	2,430	2,591	161
Miscellaneous receipts	3,424	3,858	434
Total budget receipts	193,743	188,392	−5,351

Projected estimates of receipts, required of the Secretary of the Treasury, are shown and explained in the President's budget.

Individual income taxes.—Individual income taxes amounted to $86.2 billion in fiscal 1971, $4.2 billion below the 1970 figure. The decline of 5 percent reflects rising incomes, offset by the removal of the income tax surcharge and certain legislative changes.

Corporation income taxes.—Corporation income taxes dropped in fiscal 1971, totaling $26.8 billion, $6.0 billion below the 1970 receipts. The decrease is attributed to lower 1970 profits and tax liabilities and removal of the surcharge.

Employment taxes.—Employment taxes totaled $41.7 billion in fiscal 1971, $2.6 billion above such receipts in 1970. The rise reflected expanding payrolls and number of people employed, as well as the effect of an increase in the combined tax rate from 9.6 to 10.4 percent effective January 1, 1971.

Unemployment insurance.—Receipts from unemployment insurance amounted to $3.7 billion in fiscal 1971, slightly above the 1970 figure.

Contributions for other insurance and retirement.—Such contributions and premiums amounted to $3.2 billion in fiscal 1971, $0.5 billion above receipts in fiscal 1970. These receipts are composed of medical insurance premiums for the aged, and Federal employees retirement deductions. Receipts from each increased in fiscal 1970.

Excise taxes.—Excise tax receipts are detailed in the following table.

[In millions of dollars]

	1970	1971	Increase
Alcohol taxes	4,746	4,800	54
Tobacco taxes	2,094	2,207	112
Documents	(*)	(*)	(*)
Manufacturers excise taxes	6,683	6,696	13
Retailers excise taxes (repealed)	(*)	5	5
Miscellaneous excise taxes	2,342	2,754	412
Undistributed depositary receipts and unapplied collections	38	410	372
Gross excise taxes	15,904	16,872	968
Less refund of receipts	199	257	59
Net excise taxes	15,705	16,614	909

*Less than $500,000.

Excise taxes rose from $15.7 billion in fiscal 1970 to $16.6 billion in fiscal 1971. The rise in total was $1.0 billion, over $400 million of this occurring in the miscellaneous category. Other significant rises occurred in the alcohol and tobacco taxes. The noteworthy increase in undistributed depositary receipts is largely due to speeded up collections principally of automobile and gasoline taxes.

Estate and gift taxes.—Estate and gift tax receipts of $3.7 billion in fiscal 1971 were only slightly above receipts in 1970.

Customs.—Customs duties continued to advance in fiscal 1971 reaching $2.6 billion, $0.2 billion above 1970. The rise reflected further increases in taxable imports since dutiable rates were lower in 1971.

Miscellaneous receipts.—Miscellaneous receipts amounted to $3.9 billion in fiscal 1971, rising $0.4 billion from receipts of $3.4 billion in fiscal 1970. The increase was almost wholly due to deposits of earnings by Federal Reserve banks.

Outlays

Total outlays in fiscal 1971 were $211.4 billion (compared with $196.6 billion for 1970). The outlays consisted of expenditures in the expenditure account of $210.3 billion and net lending in the loan account of $1.1 billion. Outlays for fiscal 1971, by major agency, are compared to those of 1970 in the following table. For details of the expenditure account and the loan account see the Statistical Appendix.

[In millions of dollars]

Agency	1970	1971	Increase or decrease (−)
Funds appropriated to the President	4,774	4,540	−234
Agriculture Department	8,307	8,560	253
Defense Department	78,360	75,922	−2,438
Health, Education, and Welfare Department	52,338	61,866	9,528
Housing and Urban Development Department	2,603	2,890	287
Labor Department	4,356	7,923	3,567
Transportation Department	6,417	7,248	831
Treasury Department	19,509	20,990	1,481
Atomic Energy Commission	2,453	2,275	−178
National Aeronautics and Space Administration	3,749	3,381	−368
Veterans Administration	8,653	9,756	1,103
Other	11,449	13,451	2,003
Undistributed intrabudgetary transactions	−6,380	−7,376	−996
Total outlays	196,588	211,425	14,837

Cash and monetary assets

On June 30, 1971, cash and monetary assets amounted to $15,077 million, no change from fiscal 1970. The balance consisted of $10,117 million in the general account of the Treasurer of the United States (this balance was $826 million more than June 30, 1970); $3,456 million with other Government officers ($82 million less than 1970); and $1,504 million with the International Monetary Fund ($908 million less than 1970). For a discussion of the assets and liabilities of the Treasurer's account see page 115. The transactions affecting the account in fiscal 1971 follow:

Transactions affecting the account of the Treasurer of the United States, fiscal 1971

[In millions of dollars]

Balance June 30, 1970			9, 291
Less: In transit at June 30, 1970			275
Excess of deposits, or withdrawals (−), budget, trust, and other accounts:			
Deposits		205, 961	
Withdrawals (−)		229, 353	−23, 393
Excess of deposits, or withdrawals (−), public debt accounts:			
Increase in gross public debt		27, 211	
Deduct:			
Excess of Government agencies' investments in public debt issues	8, 311		
Accruals on savings and retirement plan bonds and Treasury bills (included in increase in gross public debt above)	6, 586		
Less certain public debt redemptions (included above in withdrawals, budget, trust, and other accounts)	6, 625		
Net deductions		8, 272	18, 939
Excess of sales of Government agencies' securities in the market			3, 527
Net transactions in clearing accounts (documents not received or classified by the Office of the Treasurer)			1, 822
Net transactions in transit			206
Balance June 30, 1971			10, 117

Corporations and other business-type activities of the Federal Government

The business-type programs which Government corporations and agencies administer are financed by various means: Appropriations (made available directly or in exchange for capital stock), borrowings from either the U.S. Treasury or the public, or revenues derived from their own operations.

Corporations or agencies having legislative authority to borrow from the Treasury issue their formal securities to the Secretary of the Treasury. Amounts so borrowed are reported in the periodic financial statements of the Government corporations and agencies as part of the Government's net investment in the enterprise. In fiscal 1971, borrowings from the Treasury, exclusive of refinancing transactions, totaled $11,228 million, repayments were $9,944 million and outstanding loans on June 30, 1971, totaled $31,944 million.

Those agencies having legislative authority to borrow from the public must either consult with the Secretary of the Treasury regarding the proposed offering or have the terms of the securities to be offered approved by the Secretary.

During fiscal 1971, Congress granted new authority to borrow from the Treasury in the total amount of $11,871 million, and reduced existing authority by $248 million, resulting in a net increase of $11,623 million. The status of borrowing authority and the amount of corporation and agency securities outstanding as of June 30, 1971, are shown in the Statistical Appendix.

Unless otherwise specifically fixed by law, the Treasury determines interest rates on its loans to agencies by considering the Government's cost for its borrowings in the current market, as reflected by prevailing market yields on Government securities which have maturities comparable with the Treasury loans to the agencies. A description of the Federal agencies' securities held by the Treasury on June 30, 1971, is shown in the Statistical Appendix.

During fiscal 1971, the Treasury received from agencies a total of $1,426 million in interest, dividends, and similar payments. (See the Statistical Appendix.)

Quarterly statements of financial condition, income and expense, and source and application of funds are submitted to the Treasury by Government corporations and business-type agencies. Annual statements of commitments and contingencies are also submitted. These statements serve as the basis for the combined financial statements compiled by the Treasury which, together with the individual statements, are published periodically in the Treasury Bulletin. Summary statements of the financial condition of Government corporations, other business-type activities, and regular governmental activities as of June 30, 1971, are shown in the Statistical Appendix.

Government-wide financial management

Accrual budget concepts.—During the year Treasury staff participated in joint efforts with the Office of Management and Budget and the General Accounting Office to convert the President's budget and related Treasury reports to the accrual basis. On September 15, 1970, the Office of Management and Budget announced that converting the fiscal 1972 budget to the accrual basis would not be possible because of special technical problems with: (1) The accrual of corporate income taxes, (2) performance under grants in aid, and (3) constructive delivery in the case of procurement to the Government's special order. In June 1971, the Office of Management and Budget decided to retain the cash basis for the fiscal 1973 budget as well because there was still a lack of Government-wide readiness to convert to the accrual basis.

Working toward a possible solution to one of these major problems, Treasury staff participated in a multiagency effort which would use a statistical approach, building on a Federal Trade Commission survey, to develop corporate tax accruals. Monthly reporting of limited data from selected corporate taxpayers is being considered, and efforts are underway to develop a technique for validation of statistical estimates. If successful, this would provide several benefits—improvement of national income accounts statistics and needed information on corporate profits, as well as reliable accrual data.

Legislative Reorganization Act of 1970.—The Legislative Reorganization Act of 1970 (Public Law 91–510) deals primarily with operations of the legislative branch of the Federal Government but also places several new requirements upon the executive branch. Title II of the act directs the Secretary of the Treasury and the Director of the Office of Management and Budget in cooperation with the Comptroller General, to: (1) Develop a standardized information system for budgetary and fiscal data, (2) develop a standard classification structure for programs, activities, receipts, and expenditures of Federal agencies, and (3) determine the location, nature, and availability to Congress of budgetary, fiscal, and related data in the various Federal agencies.

A joint OMB-Treasury release to all Federal agencies was issued on May 28, 1971, as a first step in fulfilling the requirements of the act. The joint release was intended to inform agencies of the requirements of the law, establish communication, obtain certain data, and solicit response on methods of attaining the act's goals. While this is a long-range developmental effort, a progress report to the Congress is due September 1, 1971, and an initial classification structure is to be developed by December 1971.

Joint financial management improvement program.—The steering committee continued to expand its efforts during fiscal 1971. In addition to establishing better liaison with agency financial management personnel through a series of meetings throughout the year, the JFMIP directed staff resources to several studies.

Bureau of Accounts staff continued to represent the Treasury on the steering committee and interagency project study teams. A study was completed to determine those agencies and payroll offices which are not included in a computerized payroll accounting operation and which had no plan to obtain such service from another agency. These offices were advised that computerized payroll accounting services are available from several sources in the U.S. Government. Another project was underway to assess a proposal for a centralized computer payroll system. The objectives of the study encompass (1) the practicability of a single computerized payroll system for all civilian employees, (2) organizational issues underlying its development, and (3) a method of implementing the system. Other projects involved proposals to simplify legal and regulatory requirements for civilian

439-865 O—71——3

payrolling and to extend to all agencies simplified procedures for accounting and reporting for annual appropriations.

A series of grant-in-aid projects endorsed by the JFMIP were also in progress. These included task forces: (1) To bring about greater uniformity in the administrative and financial requirements imposed on grantees, and (2) for the development of audit standards. As part of this effort a State-Federal financial management conference was held in October 1970. The conference provided a forum for top-level staff from Federal, State, and local government.

Federal Debt Management

In fiscal 1971, debt management financed a unified budget deficit of $23.0 billion, a substantially larger deficit than in fiscal 1970. In addition, a sizable refunding problem was faced. At the beginning of the fiscal year, the total of outstanding marketable public debt securities was $232.6 billion. Of this amount, $105.5 billion was scheduled to mature in fiscal 1971, including $25.3 billion of privately held coupon issues and tax anticipation bills, and $51.1 billion in privately held regular weekly and monthly Treasury bills.

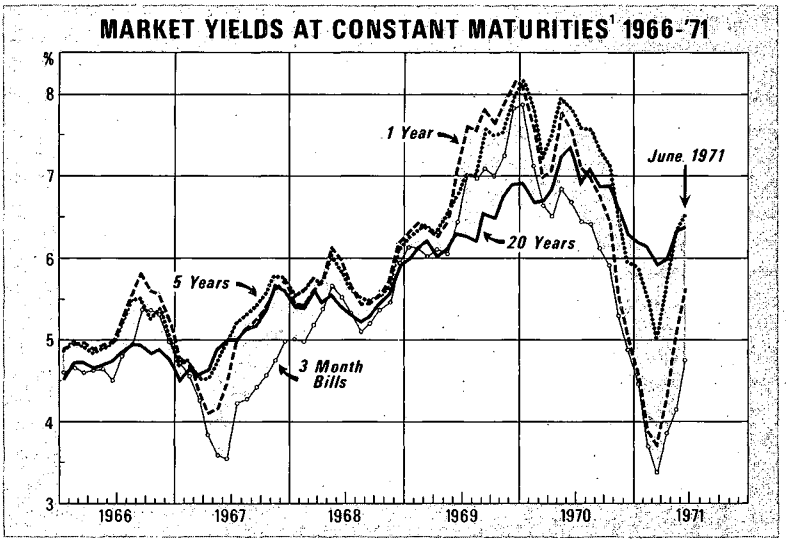
The most important legislative development in debt management in fiscal 1971 was the long-sought relief from the 4¼-percent interest rate limitation on Treasury bonds. In March 1971, Congress authorized the Department of the Treasury to issue up to $10 billion of Treasury bonds without regard to the interest rate limitation. Secretary Connally emphasized that the Treasury would use this authority with restraint and only when market conditions were appropriate. No bonds were issued during the fiscal year.

The fiscal year was also marked by the use of competitive auctions for the sale of new issues of Treasury notes for cash. Compared to offerings made at a previously announced fixed price, the auction technique allows the market to price the securities and offers protection from the effects of unpredictable domestic and international events between the time of the announcement and sale of the new issue.

The trend to generally lower levels of interest rates which persisted through March 1971 tended to ease Treasury debt management problems during a major part of the fiscal year. However, Treasury operations had to be conducted with some caution. The persistently excessive rate of inflation in fiscal 1971 had adverse effects on the flow of funds and capital markets were overtaxed by the large credit demands from corporate and municipal borrowers, especially in the last few months of the fiscal year. Debt management also was affected by difficulties in foreign exchange markets which related to problems of the U.S. balance of payments as well as other international developments.

Treasury cash requirements were met largely through increases in regular weekly and monthly Treasury bills, consisting of additions of $5.2 billion to the regular auction amounts and offerings of $7.1 billion in the form of bill strips. The balance of cash requirements were met through issues of tax bills and other short-term notes, including the notes auctioned in November 1970 and June 1971.

Notes with maturities in excess of 5 years were offered in three of the four quarterly refundings to accomplish some debt lengthening. A long-term issue was not offered in the May refunding because of the weakness which had developed in the market. In February, however, the Treasury prerefunded securities maturing in November 1971 and February 1972.



[1] Monthly averages of daily market yields of public debt securities. Bank discount rates of Treasury bills.

During fiscal 1971 the average length of the privately held marketable public debt declined by 2 months to 3 years 6 months despite the total issuance to private investors in regular refundings and the February prerefunding of $9.2 billion of new securities with maturities in excess of 5 years.

CHANGES IN FEDERAL SECURITIES

Federal securities comprise the marketable and nonmarketable public debt securities issued directly by the Treasury and the securities issued by Government agencies included within the unified budget. The principal agency securities are the participation certificates of the

Government National Mortgage Association, the participation certificates and Eurodollar notes issued by the Export-Import Bank, debt issues of the Tennessee Valley Authority, and Defense family housing mortgages.

Outstanding public debt securities at the end of fiscal 1971 totaled $398.1 billion, $27.2 billion more than at the end of fiscal 1970, while Federal agency securities declined by a little more than $0.3 billion to $12.2 billion outstanding at the fiscal yearend. The combined total of Federal securities outstanding reached $410.3 billion at the end of the fiscal year, an increase of $26.9 billion from the end of fiscal 1970. The growth in total Federal debt during the previous fiscal year was $15.5 billion.

At times, the borrowing activities of privately owned, federally sponsored agencies play a major, if not dominant, part in the capital markets as in fiscal 1970. The five major sponsored agencies are the Federal home loan banks, Federal National Mortgage Association, and the three farm credit agencies—Federal land banks, banks for cooperatives and Federal intermediate credit banks. Because of the increased deposits in savings institutions and consequent availability of mortgage funds from other private lending institutions, the credit requirements of the Government-sponsored agencies moderated in fiscal 1971 and their total debt outstanding increased only $1.2 billion. In fiscal 1970 their debt grew almost $11 billion.

The increase in the public debt is more directly related to the Federal funds deficit than to the unified budget deficit. In fiscal 1971 the Federal funds deficit was $29.9 billion, compared to the unified budget deficit of $23.0 billion; the total increase in the public debt was $27.2 billion, while borrowing from the public amounted to $19.4 billion. The balance of the two deficits was financed through a reduction of cash assets and other adjustments.

Despite the large unified budget deficit and consequent increase in borrowing from the public, the net acquisition of Treasury securities by private investors amounted to only $11.7 billion in fiscal 1971, since the Federal Reserve System, in carrying out its monetary policy operations, acquired $7.8 billion of Treasury obligations. Included in the privately held total, however, are approximately $6.5 billion of nonmarketable securities, including foreign series securities, the foreign currency series, and Eurodollar certificates issued to foreign accounts and banks, and $11.3 billion of marketable public debt securities. Federal agency securities held by the public were relatively unchanged during the year, but foreign holdings of agency securities rose by about $1.0 billion. Thus, the amount of domestic private holdings of Federal securities declined by $7.1 billion in fiscal 1971. When the privately held securities issued by the major Government-sponsored agencies are included, the decline in domestic, private holdings of Federal and federally sponsored agency securities was $6.0 billion in fiscal 1971.

Federal debt and Government-sponsored agency debt

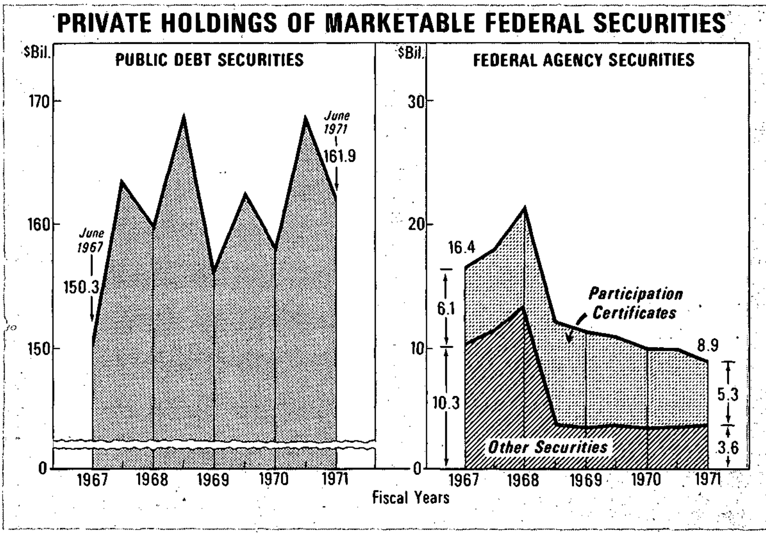
[In billions of dollars]

Class of debt	June 30, 1969	June 30, 1970	June 30, 1971	Increase, or decrease (−)
Public debt securities:				
Marketable public issues by maturity class:				
Within 1 year	103.9	105.5	112.8	7.3
1 to 5 years	62.8	89.6	89.1	−.5
5 to 20 years	43.2	26.4	33.0	6.6
Over 20 years	16.2	11.0	10.7	−.3
Total marketable issues	226.1	232.6	245.5	12.9
Nonmarketable public issues:				
Series E and H savings bonds	51.7	51.3	53.0	1.7
U.S. savings notes [1]	.5	.7	.6	−.1
Investment series bonds	2.5	2.4	2.3	−.1
Foreign series securities	1.7	3.4	7.6	4.2
Foreign currency securities	2.4	1.4	1.7	.3
Treasury certificates Eurodollar series [2]			2.0	2.0
Other nonmarketable debt	(*)	.9	.8	−.1
Total nonmarketable public issues	58.8	60.1	68.0	7.9
Special issues to Government accounts (nonmarketable)	66.8	76.3	82.8	6.5
Non-interest-bearing debt	2.0	1.9	1.8	−.1
Total gross public debt	353.7	370.9	398.1	27.2
Federal agency securities:				
Government National Mortgage Association	8.6	7.3	6.0	−1.3
Export-Import Bank	2.5	1.9	2.6	.7
Tennessee Valley Authority	.7	1.0	1.4	.4
Defense family housing	1.9	1.8	1.7	−.1
Other	.5	.5	.5	
Total Federal agency debt	14.2	12.5	12.2	−.3
Total Federal debt	368.0	383.4	410.3	26.9
Government-sponsored agency securities:				
Federal home loan banks	5.5	9.9	7.7	−2.2
Federal National Mortgage Association	8.1	13.2	15.0	1.8
Federal land banks	5.7	6.2	6.8	.6
Federal intermediate credit banks	4.2	4.9	5.7	.8
Banks for cooperatives	1.4	1.5	1.8	.3
Government-sponsored debt	25.0	35.7	36.9	1.2

[1] U.S. savings notes first offered in May 1967; sales discontinued after June 30, 1970.
[2] Treasury certificates, Eurodollar series, first offered to foreign branches of American commercial banks in April 1971.

*Less than $50 million.

Series E and H savings bonds outstanding increased a total of $1.7 billion to $52.5 billion in fiscal 1971, after declining $0.4 billion in fiscal 1970. In August 1970 a bonus arrangement was adopted to increase the interest rate to maturity on new savings bonds from 5 to 5½ percent, retroactive to June 1, 1970. Rates on outstanding savings bonds were also increased. Subsequently, sales volume increased and redemptions declined. In April 1971, Secretary Connally announced additional extensions for U.S. savings bonds and savings notes.



Ownership

Federal securities outstanding at the end of fiscal 1971 included $398.1 billion of public debt issues and $12.2 billion of Federal agency securities, a total of $410.3 billion. In addition, federally sponsored agency securities totaled $36.9 billion. Of the public debt issues, the Federal Reserve and Government accounts held nearly $168.5 billion, or a little over 42 percent of the total, and private holdings were $229.7 billion.

Individuals.—At the end of fiscal 1971, individuals held $78.0 billion of public debt securities. This was a $4.5 billion drop during the year, approximately offsetting the increase of $4.6 billion in fiscal 1970. Holdings of series E and H savings bonds rose $1.7 billion to $52.5 billion at the end of the year, while ownership of U.S. savings notes fell $0.1 billion to a level of $0.6 billion. Holdings of marketable public debt issues declined by $6.1 billion to $24.8 billion. In addition, individuals reduced their holdings of Federal agency securities by $0.1 billion to $1.3 billion.

Insurance companies.—Insurance companies reduced their overall holdings of public debt securities by $0.2 billion, by cutting their ownership of coupon issues, even though they acquired some Treasury bills. They also reduced their holdings of Federal agency issues by $0.1 billion. At fiscal yearend, insurance companies held $6.6 billion of public debt securities and $0.7 billion of Federal agency issues.

Ownership of public debt securities on selected dates 1961–71

[Dollar amounts in billions]

	June 30, 1961	June 30, 1969	June 30, 1970	June 30, 1971	Change during fiscal 1971
Estimated ownership by:					
Private nonbank investors:					
Individuals: [1]					
Series E and H savings bonds	$43.6	$51.2	$50.8	$52.5	$1.7
U.S. savings notes [2]		.5	.7	.6	−.1
Other securities	21.0	26.2	31.0	24.9	−6.1
Total individuals	64.6	77.9	82.5	78.0	−4.5
Insurance Companies	11.4	7.7	6.8	6.6	−.2
Mutual savings banks	6.3	3.3	2.9	2.9	(*)
Savings and loan associations	5.0	9.5	8.5	8.0	−.5
State and local governments	19.3	25.2	24.6	21.4	−3.2
Foreign and international	12.7	11.1	14.8	32.7	17.8
Corporations	18.5	12.6	11.1	10.1	−1.0
Miscellaneous investors [3]	7.7	12.4	14.3	9.0	−5.3
Total private nonbank investors	145.5	159.5	165.5	168.7	3.2
Commercial banks	62.5	55.3	52.6	61.0	8.4
Federal Reserve banks	27.3	54.1	57.7	65.5	7.8
Government accounts	53.7	84.8	95.2	102.9	7.7
Total gross debt outstanding	289.0	353.7	370.9	398.1	27.2
			Percent		
Percent owned by:					
Individuals	22	22	22	20	
Other private nonbank investors	28	23	22	23	
Commercial banks	22	16	14	15	
Federal Reserve banks	9	15	16	16	
Government accounts	19	24	26	26	
Total gross debt outstanding	100	100	100	100	

[1] Including partnerships and personal trust accounts.
[2] U.S. savings notes first offered in May 1967; sales discontinued after June 30, 1970.
[3] Includes nonprofit institutions, corporate pension trust funds, nonbank Government security dealers and Federal oriented agencies not included in Government accounts.

*Less than $50 million.

Savings institutions.—At the end of fiscal 1971, mutual savings banks held $2.9 billion of public debt securities, approximately unchanged from the end of fiscal 1970. Their holdings of Federal agency securities remained at $0.5 billion at the end of the year. However, savings banks acquired $0.4 billion of securities issued by federally sponsored agencies, thereby raising their holdings of these securities to $1.8 billion.

Savings and loan associations reduced their holdings of Government securities in fiscal 1971 by $0.5 billion to $8.0 billion, but increased their investments in Federal agency securities by $0.1 billion, plus another $1.0 billion increase in securities issued by Government-sponsored credit agencies.

State and local governments.—State and local governments reduced their holdings of public debt issues by $3.2 billion to $21.4 billion. Holdings of bills, notes, and bonds all were reduced. In the aggregate, State and local governments reduced their ownership of Federal agency securities by $0.4 billion to $3.4 billion and lowered their holdings of Government-sponsored credit agency securities by almost $1.0 billion.

Foreign and international.—Except for the Federal Reserve, Government accounts, and commercial banks, the principal net buyers of public debt issues in 1971 were foreigners and international agencies. Their total holdings of public debt securities increased by $17.8 billion to $32.7 billion. Of the total increase, $11.3 billion was accounted for by acquisitions of marketable issues, while holdings of special nonmarketable issues increased $6.5 billion.

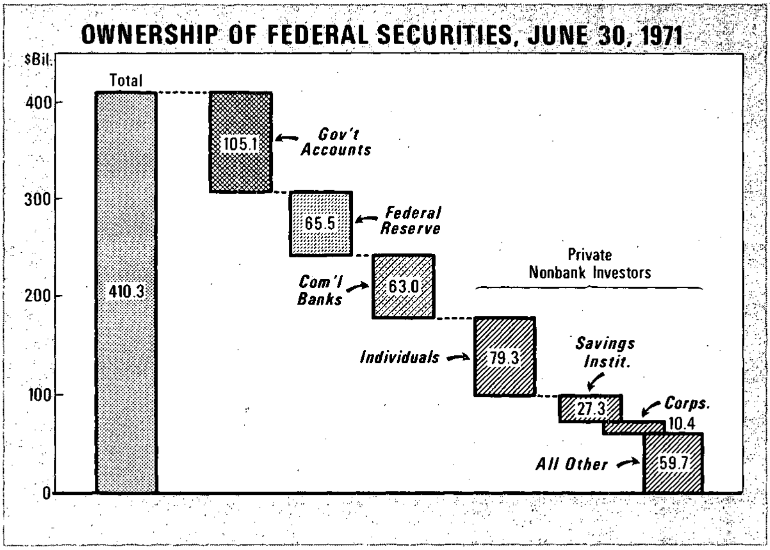
Nonfinancial corporations.—Corporate holdings of public debt issues declined $1.0 billion in 1971 to a level of $10.1 billion at the fiscal yearend. They also reduced their investments in Federal agency securities by $0.1 billion and their ownership of Government-sponsored credit agency issues by $1.0 billion.

Other private nonbank investors.—After increasing by almost $2.0 billion in fiscal 1970, holdings of public debt issues by these investors decreased by $5.3 billion to $9.0 billion at the end of fiscal 1971.

Commercial banks.—Commercial banks acquired $8.4 billion in public debt issues in 1971, bringing their holdings to a total of $61.0 billion, the highest since the end of fiscal 1964 and the first increase since fiscal 1968. More than half of the increase consisted of issues due in 5 years or more. Banks reduced their holdings of agency issues by $0.2 billion, but they acquired more than $3.0 billion in securities of Government-sponsored agencies.

Federal Reserve System.—Acquisition of public debt issues by the Federal Reserve System amounted to $7.8 billion in 1971, or more than double the $3.6 billion amount acquired in the previous year. The bulk of acquisitions consisted of a $5.5 billion increase in Treasury bill holdings. In addition, the System acquired $1.9 billion of notes and a small amount of bonds. Federal Reserve purchases accounted for almost 30 percent of the public debt increase, compared to a 21-percent share in fiscal 1970. Total holdings amounted to $65.5 billion at the end of the year.

Government accounts.—The acquisition of public debt securities by Government accounts decreased to $7.7 billion in fiscal 1971, $2.7 billion less than the $10.4 billion increase in 1970. Government accounts reduced their holdings of Federal agency issues by $0.3 billion, and at the end of 1971 they held $102.9 billion of public debt securities and $2.3 billion of agency securities.



FINANCING OPERATIONS

When fiscal 1971 began, the Treasury was in a cycle of $100 million weekly additions to the bill auctions. These increments continued through November 19 and increased to $200 million through December 31. A total of $3.3 billion was raised in the regular bill auctions during the first half of the fiscal year.

On June 26, 1970, the Treasury announced an offering of $2.5 billion of March tax anticipation bills. The tax bills were auctioned on July 2 for payment on July 8 and maturing March 22, 1971. Following usual practice, the Treasury provided for commercial bank payment by crediting tax and loan accounts and for redemption of the bills at par in payment of income taxes on March 15, 1971. Total bids in the auction were $4.7 billion, and $2.5 billion was accepted at an average rate of 6.45 percent.

A second offering of $2.3 billion of April tax anticipation bills followed closely on July 10. This issue was auctioned on July 16 with payment July 23. Banks had full tax and loan privileges for themselves and their customers' accepted subscriptions. Total tenders were $4.8 billion, and $2.3 billion was accepted and issued at an average rate of 6.50 percent.

As time approached for the announcement of the August 15 refunding, major administered money market rates were still at or close to their recent peaks. The discount rate in effect at all Federal Reserve banks was 6 percent, its postwar record, while the prevailing prime commercial loan rate was 8 percent. This latter rate had been in effect since March 25, 1970. Market rates on Government securities, however, had declined significantly since the beginning of the calendar year. Auction rates on 3-month Treasury bills averaged 6.47 percent in July, over 140 basis points lower than the January average. Rates on 6-month Treasury bills, yields on 3- to 5-year U.S. notes and bonds and long-term Government bonds also were lower. Rates in the municipal and corporate markets, by contrast, were still at exceptionally high levels. In July, yields on both seasoned and newly issued, high-grade corporate bonds were actually above those in the early months of 1970, and rates on municipal securities in the primary and secondary markets still were at high levels.

The August maturities consisted of two issues—$2.3 million of 6⅜-percent notes and $4.1 billion of 4-percent bonds. The Federal Reserve and Government accounts held $0.9 billion leaving $5.6 billion in private hands. The prevailing yield curve at the time of determining refunding terms was generally flat for Treasury bills of maturities of 1 year or less and gradually rising through the 7- to 10-year maturity area.

On July 29 holders of the maturing notes and bonds were offered two new securities in exchange: (1) A 7¾-percent 3½-year note at par, due February 15, 1974, and (2) a 7¾-percent 7-year note due August 15, 1977, at 99.75 to yield about 7.80 percent. A cash offering also was announced for $2.8 billion of 18-month 7½-percent notes due February 15, 1972; this issue was designed to cover attrition on the exchange and raise net new cash. This short cash note was priced at 99.95 to yield about 7.54 percent. Commercial banks were allowed a 50-percent tax and loan credit. Books for the exchange were opened through August 5, allowing subscriptions for the cash note on the last day only.

Response to the exchange and cash offering was enthusiastic. Private investors turned in $4.8 billion of the maturing issues to acquire the new notes; $3.0 billion of these were used to acquire the 7¾-percent 3½-year notes. Subscriptions from the public totaled $18.6 billion in the cash offering of 18-month notes. Following the usual practice involving heavily oversubscribed cash issues, the Treasury accepted $3.2 billion, somewhat more than the previously announced amount. In addition to the issues to private investors, $0.8 billion of the three new securities was allotted to the Federal Reserve and other Government accounts. The net effect of the refunding and cash offering enabled the Treasury to raise $2.3 billion in new cash; new issues totaled $8.8 billion in contrast to the $6.5 billion which matured.

Together with the continuing cash-raising operations in the Treasury bill market, this refunding and cash offering enabled the Treasury to meet its cash needs for the rest of the first quarter and part of the second quarter of the fiscal year. Full use was made of the limit on statutory authority to issue notes of up to 7-years maturity and the average maturity of the privately held marketable public debt was extended to 3 years 7 months as a result of the August refunding. Beginning in September additional funds were raised through monthly additions to 1-year Treasury bills. Although there was no indication given as to how long this would continue when the annoucement was made on September 15, $200 million per month or a total of $1.0 billion was raised in the 5-month period September 1970 through January 1971.

Short-term interest rates continued to decline throughout the fall. By the time the Treasury approached the market again in October and November, much-reduced interest rate levels were in effect. On October 8, 1970, the Treasury invited tenders for $2.5 billion in June tax anticipation bills, dated October 21 to mature June 22, 1971. Commercial banks had full tax and loan privileges in the auction held on October 15. Total bids were $5.6 billion, of which $2.5 billion was accepted and issued at an average rate of 5.97 percent, 53 basis points below the TAB offering made 3 months earlier in July.

A $7.7 billion issue of 5-percent notes was due to mature on November 15; about $1.6 billion was held by the Federal Reserve and Government accounts, and $6.0 billion was held by private investors. The Treasury approached this refinancing with a two-phase plan. The first was an exchange offering of notes to replace the maturing November security, and the second consisted of a cash sale of notes to cover attrition as well as to raise new money needed. On October 22 the Treasury offered holders of the maturing notes a choice of two notes in exchange—a new 7¼-percent 3½-year issue due May 15, 1974, at par; and a reopened 7½-percent 5-year 9-month note due August 15, 1976, priced to yield about 7.39 percent. This latter security was already outstanding in the amount of $1.7 billion. Subscription books were open until 8 p.m., October 29, in accordance with the new time schedule designed to give the Treasury more time to measure its needs before determining the size of the cash offering which followed. Cash subscriptions were not accepted in this part of the financing.

In "when issued" trading, prices rose well above par on the new and reopened issues; by the time subscription books closed, yields had declined to about 6⅞ percent for the 3½-year note and to about 7⅛ percent on the reopened 5-year 9-month note. Demand for both issues was large. Of the $6.0 billion held by the public and eligible for exchange, $5.4 billion was turned in for the new and reopened issues, with the majority of subscriptions for the 3½-year note. Attrition of privately held issues totaled less than $0.7 billion, only 11 percent of total private holdings.

After subscription books closed on the exchange offering and cash attrition was known, the Treasury announced a $2.0 billion cash offering of a 6¾-percent 18-month note dated November 16 and due May 15, 1972. The purpose of this issue was to cover attrition from the exchange offering and to raise part of the cash needed during the balance of the calendar year.

The unusual feature of this issue was the use of a competitive auction on November 5 to determine the yield. Sales of most cash offerings in recent years have been made at yields set by the Treasury with amounts issued determined by an allotment process. In this auction, noncompetitive bids were allowed up to $200,000 and awarded at the average auction rate. Bids were not accepted below 99.76 to avoid original-issue discount problems. The Treasury recognized that the coupon on the new issue was somewhat above prevailing market yields on existing securities of comparable maturity so that bids above par value were expected. Tenders for the new note exceeded $5.0 billion and the Treasury accepted $2.0 billion, of which about 78 percent was allotted to commercial banks, who were permitted a 50-percent tax and loan credit.

Yields on accepted competitive tenders ranged from 6.09 to 6.26 percent for an average rate of 6.21 percent; one-fourth of the issue was made on a noncompetitive tender basis. The combined exchange offering of October 22 and the cash auction on November 5 enabled the Treasury to raise approximately $1.4 billion of new cash after allowing for attrition in the exchange portion of the financing.

Additional easing had taken place in short-term financial markets by the time the second quarter of the fiscal year was well under way. In October, auction rates on 3-month Treasury bills were 0.5 percentage points below their July averages and other short-term rates also had declined. However, this easing of rates was not transmitted to the long-term capital markets where a high rate of corporate and municipal borrowing pushed new issue rates in October above their July averages. These, in turn, were a factor in maintaining the high level of yields on long-term Government securities.

Commercial banks reduced their prime interest rates in two steps to 7 percent by the end of November. (The first step in the prime rate reduction occurred on November 12, 1970, when it was reduced from 7½ to 7¼ percent.) Federal Reserve discount rates were lowered from 6 percent to 5½ percent by early December.

On November 17 the Treasury announced its financing plans for the balance of the calendar year, a two-part short-term plan consisting of a $2.1 billion auction of a strip of bills, and a further increase in the regular weekly auction supply from $100 million to $200 million per week. The Treasury indicated that "* * * continuation of such weekly additions will be determined from week to week depending on its cash needs and market conditions." The strip issue was an addition of $300 million to each of the seven outstanding bill issues maturing from January 7 through February 18, 1971, for an average life of 57 days. Participants in the November 25 auction were required to subscribe for equal amounts of each series, and commercial banks were permitted to make payment for their accepted bids through crediting Treasury tax and loan accounts. Tenders for the strip totaled $3.6 billion, and the Treasury accepted and issued $2.1 billion at an average rate of 4.70 percent.

A slowdown in GNP growth, a lower rate of growth of personal income, and an actual decline in corporate profits had adverse effects on Federal budget receipts. The President's budget message in January 1971 contained sharply revised estimates for fiscal 1971, which was then approximately half over. Budget receipts were estimated to be $194.2 billion, down $7.9 billion from the original estimate released a year earlier. At the same time, expenditures were estimated at $212.8 billion, an increase of $12.7 billion from the original forecast. The business slowdown reduced the estimates of individual and corporate tax collections by $3.9 billion and $6.9 billion, respectively. Instead of realizing a modest surplus as originally expected, a budget deficit of $18.6 billion was then projected for fiscal 1971, and hence the need for more financing.

Money rates declined further at the end of calendar year 1970 and rates on 3-month and 6-month Treasury bills approached 4 percent. Additional easing in domestic financial markets in the month of January, especially in the short-term and intermediate-term areas of the Government securities market and in major administered rates, allowed the Treasury more flexibility in refinancing the securities maturing on February 15. These consisted of two notes, the 5⅜'s and 7¾'s, amounting to a privately held total of $5.0 billion. A considerable "rights" value had been built up in the maturing issues since mid-November, indicating considerable enthusiasm for the refunding. The Treasury announced on January 20 that holders of these securities were offered at par two new notes in exchange—a 6¼-percent 7-year note due February 15, 1978; and a 5⅞-percent note due in 4½ years on August 15, 1975.

In addition to including the March 2½-percent bonds in the refunding, the Treasury prerefunded a group of six notes and bonds maturing in November 1971 and February 1972. These included the 5⅜-percent notes, 7¾-percent notes and 3⅞-percent bonds due November 15, 1971; and the 4¾-percent notes, 7½-percent notes, and 4-percent bonds due in February 1972. Including the March bonds, the total outstanding volume of issues eligible for prerefunding was $24.2 billion, of which $14.5 billion was privately held. Altogether, the total amount of privately held rights eligible for exchange into the two new note issues amounted to $19.5 billion. Cash purchases were not accepted and subscription books for the exchange were open until January 27. The investment community reacted favorably to the refunding terms and by the time subscription books closed, when-issued trading brought the yields on the new issues considerably below their coupon rates.

Among securities held by private investors, attrition of the two maturing note issues was only $0.8 billion, or slightly less than 16 percent of eligible holdings. In addition to the $4.2 billion of February securities exchanged, holders also turned in $6.8 billion of the seven prerefunded issues, or almost half of their holdings. The Federal Reserve and Government accounts acquired $0.3 billion by turning in the February maturities and another $4.8 billion in the prerefunding. Thus, total issues of the two new notes amounted to $16.1 billion. As a result of the refunding-prerefunding, the average maturity of the marketable, privately held debt increased 3 months to 3 years 7 months at the end of February.

With the February refinancing successfully completed, the Treasury turned again to the bill market to raise cash. These operations amounted to raising $6.2 billion. Short-term money rates declined further and at the February 8 regular weekly auction, the rate on 3-month Treasury bills dropped to below 4 percent for the first time since June 1967. Plans were announced on February 11 to offer for cash a strip of bills totaling $1.2 billion for issue February 26, adding $0.2 billion to each of the outstanding bill issues due in the 6-week period May 27 through July 1. Total tenders at the strip auction amounted to over $4.0 billion and $1.2 billion was issued at an average rate of 3.28 percent for securities having an average life of 108 days.

The Treasury's next major cash financing plans were designed to raise funds needed before the peak corporate tax collection period in mid-April. The $5 billion cash financing announced on March 16 was composed of three separate elements: Increasing the regular 6-month bill supply by $200 million per week for the four consecutive issues of March 25 through April 15 for a total of $800 million; an offering of additional $2.0 billion April 22 tax anticipation bills; and another strip offering totaling $2.2 billion to be issued April 6, representing additions of $0.2 billion to each of the Treasury bills maturing in the 11-week period July 8 through September 16. Tenders at the March 23 TAB auction totaled $5.1 billion and $2.0 billion was issued at an average rate of 3.68 percent for a maturity of 23 days. The March 31 auction for the strip of weekly bills also attracted tenders of $5.1 billion; the Treasury accepted $2.2 billion at an average rate of 3.81 percent for securities having an average maturity of 128 days.

General economic news was encouraging for the first calendar quarter. Stimulated by a large increase in consumer expenditures, preliminary reports indicated that the GNP rose at an annual rate of $28.5 billion to $1,018.4 billion. Although a good part of the gain was due to catching up from the automobile strike which held the previous quarter to depressed levels, it was a substantial gain nevertheless.

The first quarter occasioned the bottoming out in money rates. Toward the end of March yields on Government securities began to turn upward and there was renewed pressure on corporate and municipal bonds, where a heavy volume of new issues served to turn rates upward again. Under the strain of a leveling off in commercial bank certificates of deposit and the rise in other short-term money rates commercial banks began to raise their prime rates from 5¼ to 5½ percent on April 23. The great degree of uncertainty prevailing in domestic and international markets limited the Treasury's choices in the May refunding.

The maturing securities consisted of two notes with coupons of 5¼ and 8 percent. Of the total outstanding amounting to $8.4 billion, $2.5 billion was held by the Federal Reserve and other Government accounts, while $5.9 billion was held by private investors. On April 28 the Treasury offered holders of the maturing securities a choice of two notes in exchange—a new 5-percent 15-month note at par, due August 15, 1972; or a reopened 5¾-percent 3½-year note due November 15, 1974, priced at 99.60 to yield about 5.88 percent. The reopened note was already outstanding in the amount of $4.0 billion and $2.5 billion was privately held. Cash purchases were not accepted and subscription books were open until May 5 for payment and delivery May 17.

Even though the recent direction of rates was upward, the exchange terms of the refunding were attractive. This upward movement in rates continued while subscription books were open, and it was also stimulated by the serious weakening in the value of the dollar in foreign exchange markets. Speculative activity in foreign exchange markets ultimately led to the suspension of dollar trading and dollar support programs in important international money centers. These developments had an adverse impact on the expectations of investors, and their interest in the Treasury's exchange offering waned. Private investors exchanged only $4.2 billion of their eligible holdings for the new and reopened securities and turned in $1.8 billion for cash, for a relatively high attrition rate of 30 percent. The public acquired $2.0 billion of the new, 5-percent 15-month notes and $2.2 billion of the reopened 5¾-percent 3½-year notes.

Offerings of marketable Treasury securities excluding refunding of regular bills, fiscal year 1971

[In millions of dollars]

Date	Description	Cash offerings: For new money	Cash offerings: For refunding	Exchange offerings: For maturing issues	Exchange offerings: In advance refunding	Total
1970	NOTES					
Apr. 1	1½ percent exchange note, Apr. 1, 1975.[1]			6		6
Aug. 15	7¾ percent note, Feb. 15, 1974			3,141		3,141
Aug. 15	7¾ percent note, Aug. 15, 1977			2,264		2,264
Aug. 17	7½ percent note, Feb. 15, 1972[2]	3,189		190		3,379
Oct. 1	1½ percent exchange note, Oct. 1, 1975[1]			31		31
Nov. 15	7¼ percent note, May 15, 1974			4,507		4,507
Nov. 15	7½ percent note, Aug. 15, 1976, additional.			2,511		2,511
Nov. 16	6¾ percent note, May 15, 1972[3]	2,037				2,037
1971						
Feb. 15	5⅞ percent note, Aug. 15, 1975			2,087	5,593	7,680
Feb. 15	6¼ percent note, Feb. 15, 1978			2,407	5,981	8,388
Apr. 1	1½ percent exchange note, Apr. 1, 1976.[1]			3		3
May 15	5 percent note, Aug. 15, 1972			3,452		3,452
May 15	5¾ percent note, Nov. 15, 1974, additional.			3,231		3,231
June 29	6 percent note, Nov. 15, 1972[4]	2,286				2,286
	Total notes	7,512		23,830	11,574	42,916
	BILLS (MATURITY VALUE)					
	Increase in offerings of regular bills:					
1970	July–September	1,518				1,518
	October–December	4,716				4,716
1971	January–March	1,570				1,570
	April–June	4,477				4,477
	Total increase in regular bills	12,281				12,281
1970	Tax anticipation bill offerings:					
July 8	6.452 percent 257-day maturing Mar. 22, 1971.	2,517				2,517
July 23	6.504 percent 273-day maturing Apr. 22, 1971.	2,261				2,261
Oct. 21	5.970 percent 244-day maturing June 22, 1971.	2,515				2,515
1971						
Mar. 30	3.671 percent 23-day maturing Apr. 22, 1971, additional.	2,001				2,001
	Total tax anticipation offerings	9,294				9,294
	Total offerings	29,087		23,830	11,574	64,491

[1] Issued on demand after June 30, 1970, in exchange for 2¾ percent Treasury bonds, investment series B-1975-80.

[2] The cash offering of the 7½-percent note due Feb. 15, 1972, was part of the August 1970 refunding. The Federal Reserve System and Government accounts were allotted $190 million of this issue, and payment was made in maturing issues.

[3] The 6¾-percent note due May 15, 1972, was part of the November refunding and was auctioned on Nov. 5, 1970, at an average yield of 6.21 percent.

[4] The 6-percent note due Nov. 15, 1972, was auctioned on June 22, 1971, at an average yield of 6.00 percent.

With the May financing completed, attention turned to methods of raising the new cash required to conduct operations through the remaining months of fiscal 1971 and the beginning of fiscal 1972. April receipts were a continued deterioration from the estimates made in the previous January, and it became increasingly apparent that the deficit for the full fiscal year 1971 would be larger than the $18.6 billion estimated in January.

Debt management operations for the balance of the fiscal year consisted of further additions to the bill supply through another strip offering, increases in weekly auctions of Treasury bills, another note issue sold at auction, and an auction of September tax anticipation bills for payment in the new fiscal year. The market conditions during which these final operations were conducted were characterized by a continuation of the rise in interest rates which had begun in March. Despite slackening in the rate of borrowing in the corporate and municipal bond markets, rates advanced further on these securities, as well as on Government securities and other short-term debt instruments. In addition, there was some fear that the rate of inflation would accelerate, rather than decrease.

In order to satisfy needs prior to the June tax period, the Treasury announced on May 14 an offering of a $1.6 billion strip of bills. Tenders were received on May 19 for payment and issue on May 25. These bills represented a $200 million addition to each of the eight outstanding issues maturing from June 24 through August 12. Commercial banks were permitted to make payment for their own and their customers' accepted bids by crediting their tax and loan accounts. Having an average maturity of 54.5 days, these bills were auctioned at an average rate of 4.10 percent.

As a result of the latest strip issue and earlier actions, the weekly total of maturing bills was due to increase. In order to meet the higher maturity and to begin a series of $100 million increments of new cash, the weekly auctions were raised beginning with the auction of June 21. Shortly after the new level of regular bill auctions was announced, the Treasury disclosed financing plans which were intended to raise funds needed in the early months of the new fiscal year.

The first part of the yearend financing package consisted of an auction of $2.25 billion, 6-percent 16½-month notes dated June 29, 1971, to mature November 15, 1972. As in November, bids were not accepted below 99.76 and commercial banks had tax and loan privileges for their own and their customers' accepted tenders. The auction was held on June 22, and total bids amounted to $4.0 billion. Yields on accepted competitive tenders ranged from 5.71 percent to 6.05 percent and the securities were issued at an average yield of 6.00 percent, which was the same as the coupon rate. The second part of the financing consisted of a June 30 auction of $1.75 billion, 77-day tax anticipation bills dated July 6 and maturing September 21, with acceptability for income tax payments due on September 15. Commercial banks were permitted to credit their tax and loan accounts for their own and customers' accepted tenders and the securities were issued at an average rate of 5.04 percent.

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Due to the timing of the yearend financing, the Treasury's operating cash balance was $8.8 billion at the close of fiscal 1971, somewhat higher than the $8.0 billion on hand at the end of fiscal 1970. The tables below provide summary information on the Treasury's major financing operations, and additional material is available in the Statistical Appendix, Treasury Bulletin, offering circulars and other public announcements on debt management.

Disposition of marketable Treasury securities excluding regular bills, fiscal 1971

[In millions of dollars]

Date of refunding or retirement	Securities: Description and maturing date	Securities: Issue date	Redeemed for cash or carried to matured debt	Exchanged for new issue: At maturity	Exchanged for new issue: In advance refunding	Total
1970	BONDS AND NOTES					
Aug. 15	6⅜ percent note, Aug. 15, 1970	May 15, 1969	286	2,043		2,329
Aug. 15	4 percent bond, Aug. 15, 1970	June 20, 1963	767	3,362		4,129
Oct. 1	1½ percent exchange note, Oct. 1, 1970	Oct. 1, 1965	113			113
Nov. 15	5 percent note, Nov. 15, 1970	Feb. 15, 1966	657	7,018		7,675
1971						
Feb. 15	5⅝ percent note, Feb. 15, 1971	Aug. 30, 1967	359	2,150		2,509
Feb. 15	7¾ percent note, Feb. 15, 1971	Aug. 15, 1969	575	2,349		2,924
Feb. 15	2½ percent bond, Mar. 15, 1971	Dec. 1, 1944			[1] 949	949
Feb. 15	5⅜ percent note, Nov. 15, 1971	Nov. 15, 1966			[1] 772	772
Feb. 15	7¾ percent note, Nov. 15, 1971	May 15, 1970			[1] 4,907	4,907
Feb. 15	3⅞ percent bond, Nov. 15, 1971	May 15, 1962			[1] 1,679	1,679
Feb. 15	4¾ percent note, Feb. 15, 1972	Feb. 15, 1967			[1] 1,207	1,207
Feb. 15	7½ percent note, Feb. 15, 1972	Aug. 17, 1970			[1] 691	691
Feb. 15	4 percent bond, Feb. 15, 1972	Nov. 15, 1962			[1] 1,365	1,365
Mar. 15	2½ percent bond, Mar. 15, 1971	Dec. 1, 1944	271			271
Apr. 1	1½ percent exchange note, Apr. 1, 1971.	Apr. 1, 1966	35			35
May 15	5¼ percent note, May 15, 1971	Aug. 15, 1966	625	3,640		4,265
May 15	8 percent note, May 15, 1971	Oct. 1, 1969	1,133	3,043		4,176
	Retirements of unmatured debt for estate taxes, etc.		585			585
	Total coupon securities		5,406	23,605	11,570	40,581
1970	TAX ANTICIPATION BILLS [2]					
Sept. 22	6.177 percent (tax anticipation)	Mar. 26, 1970	1,758			1,758
1971						
Mar. 22	6.452 percent (tax anticipation)	July 8, 1970	2,517			2,517
Apr. 22	6.504 percent (tax anticipation)	July 23, 1970	2,261			2,261
Apr. 22	3.671 percent (tax anticipation)	Mar. 30, 1971	2,001			2,001
June 22	5.970 percent (tax anticipation)	Oct. 21, 1970	2,515			2,515
	Total tax anticipation bills		11,052			11,052
	Total securities		16,458	23,605	11,570	51,633

[1] Included in the February 1971 refunding.
[2] Including tax anticipation issues redeemed for taxes in the amounts of $750 million in September 1970, $457 million in March 1971, $957 million in April 1971, and $1,158 million in June 1971.

Law Enforcement and Operations

During fiscal 1971, Treasury continued its intensification of law enforcement activities at every level.

Drug smuggling

Personnel and other resource increases authorized last year have yielded spectacular success as attested by the unprecedented number of seizures and arrests made by the Bureau of Customs in interdiction of illicit narcotics, marihuana and dangerous drugs. Pure heroin in the amounts of 247, 208, 156, 98, and 94 pounds were seized—the largest seizures of heroin ever made. Customs seized over 1,300 pounds of hard narcotics, including 937 pounds of pure heroin, as contrasted with 46 pounds of heroin seized during fiscal 1970. Seizures of narcotics and arrests of smugglers reached an alltime high. In fact, Customs seized more heroin and cocaine in fiscal 1971 than the aggregate of such seizures over the previous 7 years. Marihuana seizures also increased substantially from 104,305 pounds during fiscal 1970 to 177,388 during fiscal 1971.

Among other factors, successful activities during the year are attributed to: Increases in resources;[1] reorientation of the Bureau of Customs activities to place a greater stress on law enforcement; reorganization of the Customs Agency Service; and improved intelligence, investigation and inspection programs.

IRS narcotics program

Treasury developed during fiscal 1971 an Internal Revenue Service program of systematic, nationally coordinated tax investigations of middle and upper echelon distributors and financiers involved in narcotics trafficking. The objective is to disrupt the narcotics distribution system by prosecuting those guilty of criminal tax violations and drastically reducing their profits. This program, under the day-to-day supervision of the Director, Office of Law Enforcement, is being conducted in cooperation with the Bureau of Customs, Justice Department, Bureau of Narcotics and Dangerous Drugs, and with State and local authorities.

It is anticipated that during fiscal 1972, IRS will have an ongoing program subjecting 400 significant narcotics traffickers to full-scale IRS investigation. A budget amendment, approved by the Congress on June 30, 1971, provides for an additional 200 special agents, 200 revenue agents and 141 supporting personnel.

Customs automated intelligence network (CADPIN)

The Bureau of Customs enforcement activities have been greatly enhanced through the expanded coverage provided by CADPIN. There are 157 terminals located throughout the United States capable of instantly retrieving essential information regarding smuggling.

[1] See exhibit 38.

The network covers the Mexican border, major offices of the Customs Agency Service, and key international airports of arrival. In fiscal 1972, Customs plans to extend CADPIN terminals to other airports and to key crossings on the Canadian border. Maximum efforts will be devoted to increasing the intelligence data base.

INTERPOL

In fiscal 1971, INTERPOL processed a total of 1,795 cases representing a 39-percent increase over fiscal 1970 and a 64-percent increase over fiscal 1969, when additional emphasis and support was placed on the activities and potential of our participation in this 109-member country organization.

The increases in the total number of cases originating from U.S. enforcement agencies including local, State, other Federal, and Treasury, are attributed to the growing awareness of the services available through INTERPOL. During fiscal 1971, INTERPOL Washington processed 478 cases for U.S. enforcement agencies, an increase of 56 percent over the previous fiscal year and an increase of 268 percent over fiscal 1969 when INTERPOL was virtually unknown in the U.S. enforcement community.

In October 1970, the Assistant Secretary (Enforcement and Operations), one of three vice presidents of INTERPOL, attended the 38th annual meeting of INTERPOL held in Brussels, Belgium. As chairman of the U.S. delegation, he introduced five substantive resolutions on curbing drug abuse, all of which were adopted. In addition, the U.S. delegation was instrumental in the drafting of a resolution concerning unlawful acts against international civil aviation which was passed unanimously.

A case which illustrates INTERPOL cooperation occurred on May 26, 1971, when INTERPOL Damascus notified Washington of a suspected shipment of narcotics aboard a non-U.S. flag aircraft originating in Damascus and destined for Hollywood, Calif. On the basis of this intelligence, the Bureau of Customs seized over 200 pounds of hashish in Hollywood on June 3, 1971.

In March of this year, INTERPOL Washington was contacted by INTERPOL Teheran requesting investigation of an Iranian national in the United States suspected of having knowledge of the theft of a Koran from a museum in Teheran. The investigation determined that the Koran was, in fact, brought into the United States in December 1969, without being declared to the Bureau of Customs. Because of this illegal entry into the United States, the book was seized in San Francisco on April 15, 1971. The Koran, which is considered priceless by the Iranian Government, was returned to the Ambassador of Iran on June 3, 1971.

Organized crime

Treasury agencies have continued to provide major contributions of manpower and resources to the organized crime strike forces, the coordinated Government law enforcement units fighting organized crime in 17 major cities throughout the country.

The continuing theft and marketing of Treasury bonds by organized criminals has not only increased the number of bond forgery cases to be handled by the Secret Service but has caused these cases to be handled as part of investigations of large-scale distribution of stolen Treasury and other securities. Accordingly, Secret Service agents assigned to the organized crime program have been most successful in developing prosecutions involving the sale of stolen securities throughout the country.

The National Council on Organized Crime was established to provide interagency direction to the organized crime drive. The Office of Law Enforcement actively participates in the work of several staff committees of the National Council.

In addition, the Office of Law Enforcement is represented on various task forces within and outside the Department, working on various aspects of the narcotics program.

Air security program

Under the President's program to combat air hijackings, the Department of the Treasury formed a force of air security officers. Within 24 hours of President Nixon's announcement on September 11, 1970, 100 Treasury agents were protecting aircraft in flight; 300 were in action within a week.

Treasury's proposed program for the permanent air security program was adopted by the administration. At the end of fiscal 1971, over 1,300 individuals had been recruited and trained under this program as customs security officers at Fort Belvoir at the Consolidated Federal Law Enforcement Training Center.[2] These officers, in addition to special training for the air security program, received training in basic customs enforcement procedures. They are assigned to ground predeparture inspection and other customs enforcement work for periods of about 1 month after every 2 months of flight duty.

Predeparture inspection of passengers and baggage has been initiated by Customs at gateway airports, and as a result many arrests and confiscations of contraband have been made. The reduction of aerial hijacking of U.S. international flights has been achieved substantially

[2] See exhibits 33 and 34.

as the result of these Treasury contributions to the overall national and international programs.

From the beginning, Treasury participated actively in all phases of the effort to combat air piracy. Treasury chaired the committee on intelligence at the January 1971 Washington meeting on international air transportation security. The meeting was a direct outgrowth of President Nixon's directive that a decisive program be undertaken to meet the threat of aircraft hijacking and its implemented resolutions of the 17th Extraordinary Assembly of the International Civil Aviation Organization (ICAO) calling for the international exchange of information for the protection of the world's airlines from criminal attack.

Counterfeiting

The Secret Service during fiscal 1971 seized more counterfeit money before it could be passed to the public than in any other comparable period of its history—$23,345,406. This compares with $16,307,804 seized in fiscal 1970.

Protection of foreign dignitaries

In the fall of 1970, the President directed that the Secret Service assume responsibility for protecting foreign dignitaries visiting the United States in connection with the 25th anniversary celebration of the United Nations. Subsequently, Congress passed legislation authorizing Secret Service protection of visiting chiefs of state and heads of government, and, at the direction of the President, protection of other distinguished foreign visitors to the United States and of official representatives of the United States performing special missions abroad.

Executive Protective Service

The Executive Protective Service (EPS), under Secret Service supervision, was created during fiscal 1970 and is an expansion of what was formerly the White House Police. The EPS has responsibility for protecting foreign diplomatic missions located in the Washington, D.C., area as well as a continuing mission of protection for the White House and the buildings in which Presidential staff offices are located. In fiscal 1971, the EPS completed its staffing and became fully operational.[3]

Presidential and major candidate protection

In addition to its task of protecting the President, Secret Service is preparing for the 1972 election year in which it will protect major

[3] See exhibit 40.

candidates which will be selected by the Secretary of the Treasury for protection after consultation with a congressional advisory committee.

Public Affairs

A television company is producing a 1-hour television series, "O'Hara, Treasury Agent," portraying actual cases of Treasury enforcement agencies. The series is to appear nationally on CBS–TV. The Department is cooperating in the production of the series because it provides a vehicle for informing the public, deterring crime, giving recognition to Treasury agents, and recruiting new law enforcement agents.

Treasury also has a law enforcement exhibit which is displayed around the country as a part of the Federal Bar Association's law observance program.

Taxation Developments

Presidential tax recommendations

On September 11, 1970, the President proposed an increase in the coverage and amount of the wagering occupational tax and prohibition of use against the taxpayer except in tax enforcement of information obtained through his compliance with the wagering tax. In addition, the President proposed an increase in air ticket taxes to finance security service instituted on airlines as an antihijacking measure.

On January 11, 1971, the President announced the major tax development of fiscal 1971—changes in the administration of the depreciation provisions of the tax law.[1]

In his budget message of January 29, 1971, the President stated that he would propose legislation to recover a portion of the costs of the inland waterways system.

In his message on "A Program for a Better Environment," sent to the Congress on February 8, 1971, the President stated that he would again propose a special tax on leaded gasoline and noted that he had asked the chairman of the Council on Environmental Quality and the Secretary of the Treasury to develop a program for a charge on emissions of sulfur oxides. The President also proposed the restoration and preservation of historic buildings through tax policy (and other incentives) as a measure to promote the Nation's environment.

Depreciation revision

The major taxation development in fiscal 1971 was the adoption of final regulations making effective a simplified system of depreciation

[1] See exhibit 28.

for machinery, equipment, and certain other property—the asset depreciation range system (ADR).[2] This administrative action followed President Nixon's announcement of such pending action on January 11, 1971; the issuance of proposed regulations on March 12; and the receipt of written comments and testimony at public hearings held on May 3–5. The final regulations were published in the Federal Register on June 23, 1971.

The changes in tax depreciation are summarized as follows:

(1) Business machinery and equipment placed in service after 1970 may be depreciated based on lives that are not more than 20 percent shorter or 20 percent longer than the guideline lives previously established by the Department of the Treasury.

(2) The reserve ratio test was eliminated for taxable years ending after 1970.

(3) The convention relating to the allowance for depreciation in the year in which equipment is placed in service was modified to provide that, for equipment acquired after 1970, a full year's depreciation will be permitted for assets put in service in the first half of the taxable year, and one-half year's depreciation for those put in service in the second half of the taxable year.

(4) The annual depreciation deduction for these assets will be determined without taking estimated salvage value into account, but an asset may never be depreciated below a reasonable salvage value. In addition, salvage value estimated by the taxpayer will not be adjusted by the Internal Revenue Service unless the facts and circumstances warrant an adjustment of more than 10 percent of the tax basis of the assets in the account.

(5) Certain expenditures for repair, maintenance, rehabilitation, and improvement are deductible up to an amount not in excess of a specified allowance for each guideline class, and any expenditure over that amount will be capitalized and recovered through depreciation.

In connection with the new depreciation system, the Office of Industrial Economics was established in the Internal Revenue Service to undertake studies which will provide a basis for future modifications of asset classes, the periods over which assets may be depreciated, and other aspects of the new depreciation system. For the first time, comprehensive and systematic data on the useful lives of assets, the rate of obsolescence resulting from technological change, and repair and maintenance costs will be assembled and analyzed.

Excise taxes

In his budget message for fiscal 1971, the President recommended a 1-year postponement of the reduction of the taxes on passenger auto-

[2] See exhibit 30.

mobiles and communications services previously scheduled to take place on January 1, 1971. Public Law 91-614, approved December 31, 1970, provides that the 7-percent tax on automobiles and the 10-percent tax on communication services in effect in 1970 will continue for 1971 and 1972. Thereafter, scheduled reductions take place until the taxes expire as of the beginning of calendar 1982.

Extension of the Highway Trust Fund for 5 years and postponement from October 1, 1972, to October 1, 1977, of the reduction of the automotive excises used to finance the trust fund were provided for by Public Law 91-605, approved December 31, 1970. The passenger automobile tax is not a source of financing for the trust fund.

The President's proposal for a tax on the lead content of additives used for motor fuels was discussed before the House Committee on Ways and Means by the Secretary of the Treasury on September 9, 1970.[3] No legislative action was proposed by the Committee.

On September 11, 1970, President Nixon announced a number of anti-air-piracy measures, including security service for use aboard aircraft. To finance the air security program, it was proposed to increase the air ticket tax by one-half of 1 percent and the head tax on overseas travelers by $2. Legislation to provide for such increases through June 30, 1972, was passed by the House of Representatives on September 30, 1970. The Senate Committee on Finance did not act.

In his April 23, 1969, message to the Congress on "Organized Crime," the President asked for enactment of bills proposing revision of the wagering tax, among other things, to remove the self-incrimination defect noted by the Supreme Court in the case of *Marchetti* v. *United States* (390 U.S. 39) and *Grosso* v. *United States* (390 U.S. 63). H.R. 322 was passed by the House of Representatives on December 22, 1970, and reported out by the Senate Committee on Finance on December 30, 1970. The Senate did not act.

Legislative proposals were sent to the Congress in January 1971 to: (1) Increase the tax on diesel fuel by 2 cents a gallon and change the use tax on heavy trucks to a graduated weight basis; (2) increase the air ticket taxes to finance the air security program; and (3) broaden the coverage of the wagering tax along with revision of the law to protect the constitutional rights of taxpayers.

Speedup of collection of certain taxes

Public Law 91-614, approved December 31, 1970, provides for the speedup in collections of estate and gift taxes as well as for the continuation of the excise tax rates on passenger cars and communication services discussed above. Under this measure, applicable to decedents dying after 1970, the period for filing the estate tax return

[3] See exhibit 26.

and paying the estate tax is shortened from 15 to 9 months after the decedent's death. An accompanying change shifts the alternative valuation date from 1 year to 6 months after death. In the case of the gift tax, the filing of returns and payment of tax for gifts made after 1970 are required on a quarterly basis rather than on an annual basis.

Regulations were issued on April 21, 1971, to speed up the deposit and collection of withheld income and social security taxes and excise taxes. Effective February 1, 1971, employers with monthly liability of over $200 but less than $2,000 must deposit the taxes the 15th of the following month in the case of the first or second month of the calendar quarter, or before the last day of the following month in the case of the last month of the quarter.

Employers with $2,000 or more in liability on the seventh, 15th, 22d, or last day of the month must make deposits within 3 banking days of such dates. Employers who have liabilities of under $200 per calendar quarter will no longer have to make deposits. Instead they will remit the taxes with their quarterly returns.

Manufacturers and retailers liable for excise taxes who were previously required to deposit taxes due on a semimonthly basis are required, under the new regulations, to accelerate the time of the deposit from the end of the semimonthly period following the semimonthly period in which liability was incurred to the ninth day after the semimonthly period in which liability was incurred. The acceleration was effective for taxes due for the semimonthly period beginning February 1, 1971.

Small business taxation

An administration bill entitled "Small Business Taxation Act of 1971" was submitted to Congress on February 1, 1971.[4] This draft bill was substantially identical to the proposed legislation which the Treasury previously sent to the Congress on April 17, 1970, following the President's March 20, 1970, recommendations. The administration bill includes provision for: (1) Deduction of 20 percent of the gross income derived by corporations from obligations guaranteed by the Small Business Administration, (2) extension of the net operating loss carry-forward from the present 5 to 10 years for small businesses, (3) increase from the present 10 to 30 in the permissible number of shareholders of corporations electing to be taxed like partnerships under subchapter S of the Internal Revenue Code, (4) treatment of contributions to minority enterprise small business investment companies as charitable contributions, and (5) liberalization of the stock option rules for qualified small business corporations to permit exercise of qualified stock options up to 8 years after they were granted,

[4] See exhibit 29.

as against 5 years under present law, and to reduce the period during which the stock must be held after exercise from 3 to 1 year.

Social security and unemployment compensation

Public Law 92–5, approved March 17, 1971, an act to increase the present public debt, included several amendments to the Social Security Act. The legislation authorized, starting in 1971, a 10-percent increase in social security monthly cash benefits for all beneficiaries (except "special age–72" beneficiaries who are authorized a 5-percent increase). The law raised, beginning in 1972, the maximum amount of taxable workers' earnings subject to the social security payroll taxes from $7,800 to $9,000. The employer or employee tax rate for cash monthly benefits (previously scheduled to rise to 5 percent in 1973) will remain at 5 percent for the years 1973 through 1975 and will rise to 5.15 percent for 1976 and thereafter.

Basic social security revisions were receiving legislative consideration at the end of fiscal 1971, and a bill had received House approval on June 22, 1971.

Public Law 91–373, approved August 10, 1970, dealing with unemployment insurance provided extension of coverage to small firms, nonprofit organizations, and some State employment; establishment of a permanent program of extended benefits for persons who exhaust their regular State benefits during periods of high unemployment; and improvements in the financing of the program, including a rise in the taxable wage base and the Federal tax rate.

Effective January 1, 1972, the new law extends coverage to firms employing one or more workers on at least 1 day of each of 20 different weeks in a year, or paying wages of $1,500 or more in a calendar quarter of the current or preceding calendar year. Under prior law, an employer was subject to FUTA if he employed four or more persons in each of 20 different weeks during the year. The legislation also broadens the definition of "employee."

States are required to establish the new program by January 1, 1972, as a condition for any tax offset under FUTA. States wanting to establish a State-triggered program with Federal reimbursement before that day can do so starting October 11, 1970. The Federal Government will reimburse States for half of the cost of extended benefit programs (up to a limit).

The wage base (taxable portion of an employer's payroll) for the Federal tax will increase from $3,000 to $4,200 beginning January 1, 1972. The law also increases the Federal unemployment tax from 3.1 to 3.2 percent of taxable wages, retroactive to January 1, 1970. Since the tax offset allowed to employers in the States remains at 2.7 percent, the law in effect increases the net Federal tax from 0.4 to 0.5

percent. The law contains a provision designed to exclude the use of revenues derived from the Federal unemployment tax for employment service costs not attributable to unemployment insurance administration.

Under the law, States are permitted to assign new employers a reduced rate of tax, not less than 1 percent of taxable payroll, before they have had the period of experience needed to qualify for experience rating under State law. Previous law had required that a new employer pay rate of at least 2.7 percent during the first year.

Public Law 91–377, approved August 12, 1970, amended the Railroad Retirement Act to establish a five-member commission with a broad mandate to examine the railroad retirement system and to recommend necessary changes. The commission is specifically instructed to examine the possibility of changes in financing methods, including adjustment of tax rates and earnings base, the use of general revenue financing, and the desirability and feasibility of merging the social security and railroad retirement systems.

Administration, interpretation, and clarification of tax laws

The Department of the Treasury, during fiscal 1971, issued 52 final regulations, 15 temporary regulations, and 93 notices of proposed rulemaking, relating to matters other than alcohol, tobacco, and firearms taxes. Of the above, 28 of the final regulations, nine of the temporary regulations, and 66 of the notices of proposed rulemaking covered projects under the Tax Reform Act of 1969. In addition to the above, there were nine final regulations and nine notices of proposed rulemaking relating to alcohol, tobacco, and firearms taxes.

Among the subjects dealt with in Treasury decisions and notices of proposed rulemaking published during the fiscal year were the ADR system of depreciation; grant-making and lobbying activities of private foundations; taxes on self-dealing between foundations and related parties; income distribution requirements imposed upon private foundations; definitions of the term "private foundation;" treatment of property transferred in connection with the performance of services; industrial development bonds; amortization of pollution control devices; and redemptions of stock by corporations using appreciated property.

International tax matters

Legislation, regulations, and administrative procedures.—Considerable progress was made during fiscal 1971 in countering tax evasion with international aspects. Public Law 91–508, approved October 26, 1970, will enable the Internal Revenue Service to obtain information important for enforcement not heretofore available. U.S. taxpayers are now required to indicate whether or not they have a foreign bank or other financial account and, if so, furnish information about such account. The law authorized and directed the Secretary of the Treasury to prescribe regulations to require the maintenance of appropriate types of records by insured or uninsured banks or other financial institutions, where such records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. Pursuant to this statute, the Secretary of the Treasury on June 10, 1971, issued proposed regulations entitled "Financial Recordkeeping and Reporting of Currency and Foreign Transactions." [5] It is anticipated that these regulations will become effective November 1, 1971.

Talks with Switzerland continued on a possible treaty for mutual assistance in criminal matters and will continue in fiscal 1972. The Treasury has also given close attention to provisions typically contained in tax treaties for the exchange of information and to the increased use of such provisions in dealing with tax evasion.

The Treasury proposal for legislation authorizing the formation of Domestic International Sales Corporations (DISC) (see 1970 Annual Report, p. 34) was considered by the House Ways and Means Committee and passed by the House of Representatives. The bill was not passed by the Senate. The Treasury continues to support the enactment of this legislation.[6]

A number of laws were enacted which affect the taxation of U.S. corporations with foreign operations. These include Public Law 91–681 which provides for the taxation of grains reflected in appreciated property transferred to a foreign corporation as a contribution to capital and Public Law 91–684 which makes the foreign tax credit which had been available for foreign taxes paid by first- and second-tier foreign subsidiaries of U.S. corporations also available to taxes paid by third-tier foreign subsidiaries.

The interest equalization tax, which was scheduled to expire March 31, 1971, was extended at the request of the Treausry for 2 more years, with several technical amendments, under Public Law 92–9.[7]

A number of proposed regulations affecting international tax matters were issued both under the Tax Reform Act of 1969 and under prior legislation, including regulations on the taxation of continental shelf activities, on a number of aspects of the foreign tax credit, and on the taxation of foreign banks on U.S. source income.

Tax treaties.—A new income tax treaty with Trinidad and Tobago was ratified on November 25, 1970. It was brought into force on December 30, 1970, replacing a limited, interim treaty which was signed in 1966.

[5] See exhibit 36.
[6] See exhibits 27 and 53.
[7] See exhibit 56.

An income tax treaty with Finland was ratified on November 25, 1970, and brought into force on December 30, 1970. The new treaty replaces the treaty signed in 1952.

A new income tax treaty with Belgium was signed on July 9, 1970, and ratified on November 25, 1970. The treaty, not yet in force, will replace the 1948 treaty.

An income tax treaty was signed on March 8, 1971, with Japan. The new treaty, when ratified, will replace the 1955 treaty.

A protocol to the 1968 income tax treaty with France was signed on October 12, 1970. When ratified the protocol will provide for the extension by France to United States portfolio investors in French companies of the credit now given to French shareholders for one-half of the 50-percent French corporate tax.

Negotiations were begun on new income tax treaties with Australia and New Zealand to replace existing treaties with those countries.

A new estate tax treaty with the Netherlands was ratified on November 25, 1970, and brought into force on February 3, 1971. There had been no estate tax treaty in force between the two countries.

International organizations.—Treasury representatives participated in the work of the fiscal committee of the Organization for Economic Cooperation and Development (OECD). During the year the committee was reorganized under the name "Committee on Fiscal Affairs," and the scope of its activities was expanded to include aspects of fiscal policy beyond double taxation. A Treasury representative was elected chairman of the expanded Committee on Fiscal Affairs. Treasury representatives participated in Committee working parties on the revision of the OECD model convention on double taxation of income, and on comparative depreciation practices.

Other developments

Other tax developments include the enactment of the following laws.

Public Law 91-469, approved October 21, 1970, extended benefits of tax deferral currently available to subsidized U.S. shipping companies to unsubsidized companies.

Public Law 91-503, approved October 23, 1970, provided for transfer to the Federal Aid to Wildlife Restoration Fund of revenues from the 10-percent excise tax on manufacturers' sales of pistols and revolvers.

Public Law 91-513, the Comprehensive Drug Abuse Prevention and Control Act of 1970, approved October 27, 1970, repealed the taxes on narcotics and marihuana.

Public Law 91-614, approved December 31, 1970, exempted the first 2,500 pounds of propeller-driven aircraft from the 2-cents-a-pound annual use tax; added certain tops installed on pickup trucks for use as sleeping quarters to the list of items exempt from the tax on trucks and truck parts and accessories; and provided that the constructive sales of automobiles and trucks shall be 98.5 percent of the lowest price for which a manufacturer's selling subsidiary regularly sells to independent retailers.

Public Law 91-618, approved December 31, 1970, clarified the applicability of the exemption from income taxation of nonprofit cemetery corporations.

Public Law 91-642, approved December 31, 1970, extended until 90 days after December 31, 1970, the right of manufacturers to file claims for refund of tax on tax-paid floor stocks of articles on which the tax was repealed or reduced in 1965 or 1966 by the Excise Tax Reduction Act of 1965.

Public Law 91-659, approved January 8, 1971, made several liberalizing changes relating to the operation of distilled spirits plants. It also provided a procedure whereby domestically produced distilled spirits may be withdrawn free of tax for the use of representatives of foreign governments.

Public Law 91-673, approved January 12, 1971, made several liberalizing changes relating to the operation of breweries.

Public Law 91-676, approved January 12, 1971, allowed aircraft to be leased for temporary use outside the United States without a recapture of the investment credit.

Public Law 91-678, approved January 12, 1971, granted refunds of tax for cement mixer bodies and parts and accessories therefor which were in the hands of dealers on January 1, 1970, the date such articles were exempted from the manufacturer's excise tax by the Tax Reform Act of 1969.

Public Law 91-679, approved January 12, 1971, provided that in certain cases a spouse will be relieved of liability arising from a joint income tax return.

Public Law 91-680, approved January 12, 1971, provided that expenditures incurred in the first 4 years of the development of an almond grove (trees planted on and after December 30, 1970) must be capitalized and written off over the life of the grove rather than expensed and deducted in the year the expenses were paid or incurred. The law also permitted the taxes on transportation of persons by air to be shown as a separate item on the ticket and in advertisements.

Public Law 91-683, approved January 12, 1971, provided that capital gain recognized by an electing subchapter S corporation upon the liquidation of a corporation will not be considered passive investment income if the subchapter S corporation had more than a 50-

percent interest in the liquidated corporation. Other gains from sales or exchanges of stock or securities continue to be included as passive investment income of a subchapter S corporation.

Public Law 91-686, approved January 12, 1971, provided that a corporation that has held land for more than 25 years at the time of its sale and that acquired the land before 1934 as a result of a foreclosure of liens may subdivide and sell the land and pay a capital gains tax on the portion of the gain exceeding 5 percent of the selling price. The same treatment applies to property acquired before 1957 in the near vicinity of the property acquired by foreclosure but only if 80 percent of the real property sold during the year is property acquired by foreclosure.

Public Law 91-687, approved January 12, 1971, revised the tax treatment of losses on worthless securities.

Public Law 91-691, approved January 12, 1971, extends the present tax treatment available for multiemployer, union-negotiated pension plans to single-employer, union-negotiated pension plans. This allows a tax deduction for employer contributions to a union-negotiated pension plan from the time it is negotiated until it is formally qualified under the tax law, provided the interest of the employees is not jeopardized.

Public Law 91-693, approved January 12, 1971, provides that a statutory merger of a controlled subsidiary corporation into another corporation may qualify as a tax-free reorganization when stock of the corporation in control of the merged corporation is given in the transaction to the surviving corporation's shareholders in exchange for their stock.

International Financial Affairs

The international monetary system

Summary of international developments.—Developments during fiscal 1971 were dominated by significant differences in monetary conditions and interest rates between the major countries which stimulated massive flows of interest-sensitive, short-term capital from the United States to Europe, particularly to Germany. These flows brought into sharp relief the problems which can be associated with volatile monetary movements and the significant differences that can arise between the balances of payments of various countries on underlying transactions and the balances computed including short-term capital movements. Made more intensive by speculative factors in April and May 1971, the large movements of liquid funds led to the closing of several European exchange markets in May and to subsequent changes in exchange rates or exchange rate practices by Germany, the Netherlands, Belgium, Switzerland, and Austria.[1]

The earlier decision for a general increase in members' quotas in the International Monetary Fund (IMF) was put into effect during fiscal 1971, and the second allocation of Special Drawing Rights (SDR) by the IMF in the amount of $2.9 billion (one SDR equals $1) was made as scheduled on January 1, 1971. The Executive Directors of the IMF issued an interim report on their studies of possible improvements in the international monetary system which was discussed at the annual meeting of the IMF in September 1970 and by the Ministers and Governors of the Group of Ten. These discussions led to further examination in the IMF of certain techniques of limited exchange rate flexibility which were considered worthy of additional study.

The large flows of short-term capital noted above resulted in a record deficit in the U.S. balance of payments on the official settlements basis in 1970, amounting to $10.7 billion (or $9.8 billion including the SDR allocation). This contrasted sharply with the much smaller deficit of $3.0 billion on underlying current account and long-term capital transactions and with the modest official settlements surpluses which had been recorded during 1968 and 1969, when short-term flows had been in the opposite direction—i.e., from Europe to the United States. The large imbalance on the official settlements basis continued into the last half of fiscal 1971. While the U.S. balance of payments on underlying transactions (current account plus long-term capital) was in far smaller deficit than the balance including short-term capital outflows, the size of the basic deficit and the structure of our external accounts continued to present a longer-term problem of imbalance in world payments. The flows of short-term capital also contributed significantly to a massive expansion in gross global international reserves, far greater than any increase previously recorded during a comparable period, though the largest part of the increases in foreign reserves was offset by short-term liabilities incurred by foreign banks and corporations.

IMF quota increases.—The plan for a general increase in IMF quotas became effective October 30, 1970. Legislation necessary for the United States to participate in the quota increase was approved by the Congress on December 30, and the U.S. quota was raised by $1,540 million, to $6,700 million, the following day. Timely congressional action on this legislation enabled the United States to receive an allocation of SDR's on January 1, 1971, based on the new, larger quota. As of June 30, 1971, 109 of 118 members of the IMF had consented to increases in their quotas and had also paid to the IMF the additional

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[1] See next section on "Foreign exchange developments and operations."

439-865 O—71——5

subscriptions associated with the increase. As of that date, total quotas in the IMF amounted to $28.5 billion, as compared with $21.4 billion on June 30, 1970.

Liquid capital flows and movements in world reserves.—As disparities in interest rates between the United States and other major countries widened during the latter part of 1970, U.S. banks, which had during 1969 borrowed substantial funds on the Eurodollar markets, made large repayments of these borrowings. Very tight monetary conditions in certain European countries induced residents of those countries to seek external sources of funds for domestic use. These factors led to a very large expansion of international reserves in Europe which were especially concentrated in Germany. Total international reserves rose from $83.8 billion on June 30, 1970, to $91.9 billion on December 31, 1970, an expansion of $8.1 billion. The whole amount of this increase was reflected in expanded holdings in industrial European countries, with Germany alone accounting for nearly $5 billion of the total. Among other advanced countries, Canada and Japan recorded large gains, while the United States used approximately $1.8 billion of reserve assets to finance its balance of payments deficit in the first half of fiscal 1971.

It became apparent as these capital movements and associated reserve changes progressed that substantial portions of foreign central banks' increases in dollar holdings were being channeled into the Eurodollar market in pursuit of the higher interest returns available in that market. These placements increased markedly the difference between reported foreign official dollar holdings and reported U.S. liabilities to official holders. They also made it highly probable in the circumstances that, to an unmeasurable extent, European official dollar reserves were being created by a process of recycling official European funds to the Eurodollar market, to European private borrowers, and then back to official holdings again. Recognition that official placements on the market were in fact feeding the excessive flows of capital into their own countries and into their own official reserves led the central banks of the leading European countries during the last half of fiscal 1971 to agree not to increase the level of their placements on the Eurodollar market at that time and to reduce the level of those placements as market conditions permitted.

Substantial interest rate differentials persisted into the third quarter, and although underlying monetary factors in the countries concerned were producing a narrowing of the differentials large movements of short-term capital and official reserves continued. Global reserves rose sharply during the third quarter to $98.7 billion. Industrial Europe accounted for more than $3½ billion of the increase in reserves during the quarter, with Germany alone recording an increase of $2.2 billion. Japanese reserves increased by $1 billion during the quarter.

Persistent movements of funds into foreign reserves in the third quarter led to complementary action in the United States and Europe designed to moderate the flows. The European decision, noted above, not to increase official Eurodollar placements and the issuance by the Export-Import Bank of the United States and the Department of the Treasury of a total of $3 billion in short-term securities on the Eurodollar market, were intended to strengthen Eurodollar interest rates and thereby to moderate the flow of dollars from that market into foreign official reserves.

The large movements of funds associated with the speculative disturbances of April and May 1971 resulted in a further expansion of global reserves in the fourth quarter of fiscal 1971.

Difficulties associated with these large movements of funds, including their impact on the ability of countries to carry out monetary policies oriented toward domestic needs, prompted intensive studies by a number of international bodies of possible approaches to dealing with the problem of short-term capital flows.

Special drawing rights.—Substantial additional experience with the new SDR facility, enabling the conscious and deliberate creation of international reserves, was gained during the year. Including the January 1, 1971, allocation of $2,949 million of SDR's, cumulative allocations totaled $6,363 million as of June 30, 1971. Of the 110 participants in the facility, nearly all undertook operations in SDR's without encountering serious operational problems. An additional allocation of approximately $3 billion in SDR's was scheduled by the Fund for January 1, 1972, fulfilling the plan for the first basic period, 1970–72. (U.S. operations in SDR's are described below.)

Limited exchange rate flexibility.—The Executive Directors of the International Monetary Fund embarked on an examination of the exchange rate adjustment mechanism during fiscal 1971. They issued an interim report in September 1970 [2] in which they rejected proposals for more extreme modifications of the system such as freely fluctuating exchange rates but suggested, for further consideration, proposals on three limited techniques consistent with preservation of the Bretton Woods system of stable but adjustable par values. These were: Prompt adjustment in parities; temporary deviations from par value obligations under appropriate safeguards; and slightly wider margins for exchange rate variations around par.

This report was considered at the annual meeting of the Board of Governors of the IMF in September 1970 and by the Ministers and

[2] See International Monetary Fund, "The Role of Exchange Rates in the Adjustment of International Payments," Washington, September 1970.

Governors of the Group of Ten.[3] As a result, the IMF was requested to give further consideration to these three techniques with special attention to the legal aspects of any modifications in rules which might be found desirable. The exchange market disturbances in April and May of 1971 heightened the relevance of the IMF's work on this subject. At the fiscal yearend serious consideration was being given by the IMF as well as other international bodies to the subject of limited exchange rate flexibility with particular emphasis on advantages certain techniques might have in dealing with excessive short-term capital movements.

Foreign exchange developments and operations

Exchange market activity during the first three quarters of fiscal 1971 was dominated by interest rate relationships. Dollar flows were extremely large, reflecting the decline of U.S. interest rates and the consequent decline of Eurodollar rates. The latter were particularly influenced by the reduction of dollar balances held by U.S. branch banks abroad with their head offices.

While U.S. domestic economic policy shifted to one of restimulation, many other countries in a different stage of the cycle continued to press deflationary measures. The contrast was particularly evident in Germany where tighter money and higher interest rates made it attractive for German banks and corporations to borrow abroad in the Eurodollar market. The result was a growing accumulation of dollars in German official reserves reflected in large part in the official settlements deficit in the U.S. balance of payments.

Although fundamental balance of payments positions of the United States and other major countries were not greatly changed, the sheer size of interest-induced dollar flows created uncertainties and tensions in the exchange market.

In January 1971 the United States acted to mitigate the effects of the runoff of Eurodollar borrowings by U.S. banks. This action took the form of a $1 billion issue of 3-month promissory notes by the Export-Import Bank of the Unitied States to U.S. branch banks abroad. The effect was to absorb a portion of the repayments of the head offices in the United States and to bolster declining Eurodollar interest rates. A further issue of $0.5 billion was made in March, and a subsequent issue was made directly by the Department of the Treasury for $1.5 billion in April, for a total of $3 billion. The 3-month securities were rolled over as they matured through the end of fiscal 1971, with Treasury certificates being substituted for the March issue of Export-Import Bank notes.

[3] See exhibit 44.

In late April 1971, Germany and a number of other European countries reduced their bank rates in an effort to ease the pull on dollars. These efforts, while generally eliminating the differential between Eurodollar interest rates and competing rates in domestic European centers, were not sufficient to stem the dollar flows. Speculation and hedging had been added to interest rate incentives. In Germany, official and unofficial discussion of the advisability of a floating rate or further revaluation of the Deutsche mark incited considerable speculative buying of the mark. The recent passage of Swiss legislation authorizing changes in the franc rate by Council decision gave rise to rumors that the Swiss franc would be revalued over the Easter holiday or shortly thereafter. Agreement on plans among the countries of the European Communities (EC) to narrow the bands within which EC currencies could move against each other and for them to move more uniformly and perhaps more widely against the dollar tended to raise questions as to the possibility of appreciation of EC currencies more generally.

A peak movement of funds took place in the first few days of May 1971 extending through the first few hours of trading on Wednesday, May 5, after which the Bundesbank withdrew from the market. This action was followed by the Benelux countries, Switzerland and Austria. When markets were reopened on May 10, the Swiss had revalued by 7.07 percent, the Austrians by 5.05 percent, and the German and Dutch currencies were floating. In Belgium, measures were taken to adjust the preexisting dual rate system to more effectively separate the rate for current account transactions, which continued to be pegged at its old limit, from the rate for most capital transactions which was free to appreciate.

The revaluations and floating rates did serve to curtail inflows and, in the case of Switzerland and Germany, permitted some reversal of movements, although a significant part of German dollar sales was offset by incoming proceeds from maturing forward contracts made prior to the float.

Exchange operations of the Department of the Treasury and the Federal Reserve System primarily involved swap drawings and repayments under facilities with Belgium, the Netherlands, and Switzerland. All of these countries had experienced some steady inflows throughout the year which became particularly heavy in April 1971 and the first few days of May. In view of the persistent nature of the flows, there was little opportunity for reversal of U.S. swap drawings through market operations, and as these short-term drawings were periodically repaid, a portion of the dollars used to obtain the currencies needed for repayment were used by these countries to purchase reserve assets from the United States.

In addition to swap operations with the above countries, a $400 million swap drawing made by Italy on the United States in the previous year was fully repaid in the opening days of fiscal 1971. Also, there was a brief drawing by the United Kingdom on the Federal Reserve swap line in September when there was a sharp but short-lived outflow of dollars from sterling in advance of the annual meeting of the IMF. This drawing was repaid by the United Kingdom within the succeeding 2 months. In addition, the United Kingdom repurchased $400 million of sterling that the United States had purchased earlier as a means of assistance, thus fully liquidating all such U.S. assistance to the United Kingdom.

The price of gold in free gold markets had climbed rather steadily from just over $35 per ounce at the beginning of fiscal 1971 to just below $39 by mid-April. Some increased interest in gold had been stimulated by private studies purporting to show that normal industrial and related demands now equalled or exceeded the amount of newly mined gold. Until the onset of currency speculation it appeared that activity in the gold market was within the normal range. The nervousness over potential currency developments did, however, increase the interest in gold, and cheaper Eurodollar rates made it less costly to hold. The price moved through what had appeared to be a $39 barrier, which had previously brought out sellers, and reached a high of $41.20 at the London fixing on several days in mid-May. Swings in price were more erratic throughout the final quarter of fiscal 1971, and the price was $40.10 at the final London fixing at the end of June.

Under the arrangements made at the end of 1969 between South Africa and the IMF, all but about $70 million out of more than $1.1 billion of newly mined South African gold was placed on the market (valued at the monetary price of $35 per ounce).

The United States was called upon to use a considerable amount of its reserve assets during fiscal 1971. The net reduction in U.S. international reserves was $2.8 billion despite the receipt of the second allocation of SDR's amounting to $717 million. In the absence of such allocation the reduction of U.S. reserves would have been $3.5 billion. This latter figure was composed of a net reduction of $1,382 million in gold reserves, $810 million in foreign exchange, $427 million in SDR, and $922 million in the U.S. position in the IMF.

The gold transactions included the payment of $385 million in gold to the IMF for 25 percent of the increase in the U.S. quota in that institution. This transaction did not result in a net drain on U.S. reserves, however, because the U.S. automatic drawing rights on the IMF were increased commensurately. A resale to the IMF of $400 million in gold purchased from that institution in the 1950's did, however, serve to reduce both gold and total reserve assets.

Treasury exchange and stabilization agreements

The Department of the Treasury did not enter into any new exchange agreements during fiscal 1971. There remain in effect the 2-year exchange agreement with the Bank of Mexico for $100 million ending December 31, 1971, and the 2-year exchange agreement with the Central Bank of Venezuela for $75 million ending March 18, 1972.

Treasury foreign exchange reporting system

During fiscal 1971, statistical surveys were conducted of foreign holdings of U.S. Government bonds and notes and of short-term liabilities, other than deposits and U.S. Treasury bills and certificates, to foreigners reported by banks in the United States. The requirement for quarterly reports to the Treasury covering claims by the head offices of U.S. banks on their foreign branches and by foreign agency banks in the United States on their head offices was eliminated, and the related quarterly liabilities report was revised to include the Bahamas and Bermuda among the countries for which data are collected. Mutual funds not filing on the Treasury forms were canvassed to ascertain if they were required to report. Finally, a supplementary instruction was issued to all reporting banks regarding acceptances created by or on behalf of foreign branches of U.S. banks.

International Monetary Fund

The large movements of short-term capital and international reserves, as well as a strengthening of the underlying accounts of several countries, enabled most major industrial countries to avoid important recourse to the IMF's resources and enabled certain countries to make significant repayments to the Fund.

Purchases of currency (drawings) by members totaled $1.5 billion during fiscal 1971, down from $3.1 billion during fiscal 1970. Major drawings were made by the United States ($500.0 million) and Italy ($463.0 million). The German mark, the main currency drawn during fiscal 1971, was purchased in the amount of $417.0 million. Other countries drew $259.9 million in U.S. dollars and significant additional amounts in Belgian francs, Dutch guilders, and Canadian dollars. Repurchases totaled $2.1 billion equivalent, including large repurchases by the United Kingdom and France amounting to $684.7 million and $621.2 million respectively. The U.S. dollar was the currency predominantly used in repurchases. As of June 30, 1971, cumulative drawings from the beginning of IMF operations amounted to $22.7 billion of which $7.9 billion was in U.S. dollars; cumulative repurchases amounted to $12.7 billion of which $4.7 billion was in U.S. dollars.

Large repayments to the Fund enabled it to repay borrowings under the General Arrangements to Borrow (GAB) totaling $663.0 million and to repay $125 million in separate bilateral borrowings from Japan. As of June 30, 1971, amounts available under the GAB totaled the equivalent of $5.8 billion.

Repurchases in dollars by other countries, plus drawings in dollars by the United States, resulted in a substantial diminution of the U.S. reserve position in the IMF. Excluding the increase of $385 million in the U.S. gold tranche position associated with the increase in the quota, the U.S. reserve position in the IMF decreased by $1,307 million during fiscal 1971. As of June 30, 1971, the U.S. reserve position in the IMF amounted to $1,428 million, consisting entirely of its gold tranche position.

U.S. balance of payments

New balance of payments presentation.—A new format for presenting balance of payments statistics was established in fiscal 1971. The principal change was the introduction of a new analytical table centered around three groups of balances: (1) The balances concerned with goods, services and unilateral transfers; (2) two new balances—the balance on current and long-term capital transactions, and the net liquidity balance; and (3) the familiar balance on official reserve transactions.

The new balance on current account and long-term capital was introduced to serve as a rough indicator of long-term underlying trends in the U.S. balance of payments although it was to include such transactions only to the extent that they were recorded or estimated.

The net liquidity balance was introduced to measure the balance on nonmonetary transactions but included monetary transactions which were not recorded. By excluding transactions in monetary and other liquid assets and obligations it was also intended to indicate the underlying trends in the balance of payments and the potential pressures to which the dollar might be exposed. It was similar to the old liquidity balance but with two important differences:

(1) Liquid claims on foreigners and liquid liabilities to foreigners were to be treated symmetrically as items financing the balance. Previously, an equal increase in claims and liabilities increased the deficit.

(2) Shifts of foreign official reserve funds between liquid and nonliquid instruments which affected the old liquidity balance in a bookkeeping sense were to be shown as financing items in the new net liquidity balance.

U.S. balance of payments, fiscal years 1970–71

[In millions of dollars]

	Fiscal 1970	Fiscal 1971 [1]	Fiscal 1971 Seasonally adjusted	
			1st half	2d half
Trade (balance-of-payments basis) [2]	2,063	30	846	−771
Exports	40,300	42,900	21,157	21,746
Imports	−38,237	−42,870	−20,311	−22,517
Travel	−1,448	−1,705	−828	−870
Receipts	2,170	2,383	1,190	1,195
Payments	−3,618	−4,088	−2,018	−2,065
Military	−3,422	−2,977	−1,654	−1,344
Receipts	1,487	1,831	760	1,050
Payments	−4,909	−4,808	−2,414	−2,394
Dividends and interest [3]	5,969	7,096	3,197	3,915
Receipts	11,200	11,822	5,694	6,136
Payments	−5,231	−4,726	−2,497	−2,221
Other services	143	278	104	195
Balance on goods and services [4]	3,305	2,722	1,665	1,125
Private remittances, government pensions, and other transfers	−1,363	−1,409	−710	−699
U.S. Government economic grants	−1,587	−1,841	−929	−913
Balance on current account	355	−528	26	−487
U.S. Government capital [5]	−1,932	−2,015	−804	−1,207
U.S. direct investments abroad	−4,289	−4,436	−1,831	−2,685
Purchases and sales of foreign securities	−748	−1,574	−825	−749
U.S. long-term bank and nonbank claims	−418	−224	−73	−151
Total transactions in long-term U.S. capital invested abroad	−7,387	−8,249	−3,533	−4,792
Total long-term foreign capital invested in the U.S. [6]	4,127	3,144	2,335	832
Balance on current account and long-term capital	−2,905	−5,633	−1,172	−4,447
Nonliquid short-term capital [7]	−507	−1,139	−290	−850
Special drawing rights allocation (SDR's)	867	717	433	359
Errors and omissions	−1,319	−4,010	−670	−3,361
Net liquidity balance [8]	−3,864	−10,065	−1,699	−8,299
Changes in net liquid liabilities to private foreigners	−384	−6,888	−3,854	−2,945
Balance on official reserve transactions	−4,248	−16,953	−5,553	−11,244
Changes in reserve assets (+ = decrease):				
Gold	−736	1,382	817	565
SDR's	−957	−290	−327	−38
Convertible currencies	2,290	810	503	307
IMF gold tranche position	−801	922	415	507
Changes in U.S. liabilities to foreign official agencies (+ = increase)	4,452	14,129	4,145	9,903

[1] Seasonally adjusted half-fiscal-year data do not add to full fiscal year data. Seasonal adjustment factors were not forced.

[2] Differences between these figures and those published by the Bureau of the Census are due to adjustments for valuations, timing, coverage, and to the exclusion of DOD military export sales and military import purchases.

[3] Including fees and royalties received from and paid to affiliated companies abroad.

[4] Equal to net exports of goods and services in national income and product accounts of the United States.

[5] Includes nonscheduled debt repayments to the United States.

[6] Includes U.S. Government nonliquid liabilities to foreign official agencies other than monetary authorities.

[7] Includes U.S. short-term bank and nonbank claims and all short-term liabilities of nonbanks other than bank deposits and open market paper.

[8] Differs from old liquidity basis by netting liquid assets of banks and nonbanks (i.e., assets in bank deposits and open market paper) against similar liabilities, and treating all liabilities to foreign official agencies as liquid liabilities.

SOURCE: Department of Commerce, Survey of Current Business, June and September, 1971.

The official reserve transactions balance, which remained unchanged, was retained to measure, under conditions of fixed exchange rates, the net exchange market pressure on the dollar in the recording period resulting from international transactions of the United States.

Fiscal 1971 developments.—The balance on recorded current and long-term capital transactions was in deficit by $5.6 billion in fiscal 1971 compared with a deficit of $2.9 billion in fiscal 1970 (see table). The net liquidity balance was in deficit in fiscal 1971 by $10.1 billion, and the official reserves transactions balance by $17.0 billion. This was a substantial deterioration from the preceding year when the two balances were $3.9 billion and $4.2 billion, respectively.

Both the liquidity and official reserve transactions deficits reflected unusually large unrecorded outflows of funds, as indicated by the $4.0 billion errors and omissions figure, which substantially exceeded the more normal amount of unrecorded transactions. The usual level of errors and omissions (about −$1.0 billion) was believed to reflect mostly current and long-term capital transactions; however, the sharp increase in the balance on unrecorded transactions in the second half of fiscal 1971 probably represented short-term capital outflows in response to the spread in money market rates and the anticipation of exchange rate changes.

Although adverse swings in long-term and liquid private capital flows dominated the balance of payments in fiscal 1971, the year was also affected by a decline in the trade balance and the emergence of a sizable trade deficit in the last quarter.

The deterioration of the trade balance was primarily due to a drop in the growth rate of exports from 17 percent in fiscal 1970 to 6 percent in fiscal 1971. A major factor was the slowdown in foreign business activity, which affected U.S. exports of steel and machinery. In addition, the growth in U.S. exports of agricultural goods was not as rapid in fiscal 1971 as in previous years. The slackening of the U.S. economy was expected to have had a similar effect on U.S. imports, but an upturn in the second half of the year kept the growth rate at 12 percent, the same level as in the previous year. The factors influencing this import strength, in addition to the higher than expected increases in consumer goods imports (including automobiles), were steel and steel product stockpiling in anticipation of a possible steelworkers strike, and increased prices of fuels.

The balance on goods and services showed a decrease of $0.6 billion from fiscal 1970. Reduced interest payments to foreigners resulting from lower interest rates in the United States and a decline in net military expenditures did not offset the substantial worsening in the merchandise trade account. The improvement in the military account was due principally to increased military sales abroad. The U.S. travel deficit continued to increase, reaching $1.7 billion in fiscal 1971.

The balance on current account, which included private and Government transfer payments and U.S. Government economic grants as well as goods and services, deteriorated by $0.9 billion from the fiscal 1970 level to a deficit of $0.5 billion. U.S. Government economic grants increased by about $250 million and other unilateral transfers by about $50 million.

Long-term capital transactions in fiscal 1971 resulted in a net outflow of $5.1 billion. The resulting $5.6 billion deficit on current account and long-term capital represented a deterioration of $2.7 billion from fiscal 1970.

The principal cause of the growth in U.S. capital invested abroad in fiscal 1971 was an $0.8 billion increase in net purchases of foreign securities. As U.S. financial markets recovered, particularly in the summer and fall of 1970, investments by foreigners in U.S. securities increased by $0.2 billion. The $0.5 billion decrease in foreign direct investment in the United States and the decrease of U.S. long-term liabilities to foreigners of $0.7 billion, however, resulted in an overall decrease of $1.0 billion from fiscal 1970 in the net inflow of foreign long-term capital into the United States.

During the 10-year period 1960–70, the balance on current account and long-term capital was generally in deficit; the deficit rose from an average of $0.7 billion in calendar years 1960–64 to $2.0 billion in calendar years 1965–68 and to $3.0 billion in calendar years 1969–70. The $5.6 billion deficit for fiscal 1971 represented a sharp acceleration in the downward movement of this balance.

The increase in the deficit on the official reserve transactions basis reflected mainly changing money market conditions in the United States and abroad, anticipations of changes in exchange rates, and to a much lesser extent the rising deficit in the more basic transactions. As monetary conditions in the United States eased in the first half of fiscal 1971, while remaining relatively tight abroad, foreign banks, including foreign branches of U.S. banks, reduced their funds held in the United States and increased their loans to foreigners. Quarterly average outflows from shifts of funds from U.S. parent banks to their foreign branches ran at about $0.5 billion per quarter in fiscal 1970 and jumped to an average of $2.2 billion per quarter in fiscal 1971. The lowering of Eurodollar rates relative to local rates abroad and the anticipation of a revaluation of the Deutsche mark in the first few months of calendar 1971 encouraged private foreigners and, to some extent U.S. residents, to strengthen their positions in the relatively strong currencies, thus adding to the dollar holdings of foreign official reserve authorities.

International development banks

Lending activity by international development banks continued to expand during fiscal 1971. Efforts were underway to increase the lending resources of each of the institutions in which the United States has membership—the International Bank for Reconstruction and Development (IBRD or World Bank), the Inter-American Development Bank (IDB), and the Asian Development Bank (ADB). These efforts covered special increases in subscriptions to the World Bank paralleling special quota increases in the IMF, a third replenishment of the resources of the World Bank's concessional loan affiliate, the International Development Association (IDA), increases in the Ordinary Capital and the Fund for Special Operations of the IDB and a contribution to the ADB's Special Funds. During the second half of fiscal 1971, Treasury officials testified before congressional committees in support of required authorization and appropriation legislation.[4] Annual meetings of each of the institutions were also held during the year.

The international bank group

The World Bank and its affiliates, the IDA and the International Finance Corporation (IFC), committed a total of $2.6 billion during fiscal 1971—about 12 percent greater than in fiscal 1970—for financing economic development projects in the member countries. The World Bank made new loans to its members totaling $1,896 million, $316 million more than in fiscal 1970. While the bulk of its lending operations continued to be for transportation, power, agriculture, and industry, there were sharp percentage increases in education and water and sewerage. IDA credits dropped slightly from $606 million in 1970 to $584 million in 1971, with agriculture continuing to be its major lending sector. IFC investments in equity and loans to the private sector without government guarantee totaled $101 million. Of this, $88 million was provided for manufacturing and $11 million for development finance institutions.

The loan operations of the World Bank were financed by paid-in capital subscriptions, funds borrowed in capital markets, sales of participations, principal repayments on loans, and earnings on loans and investments. During the year the Bank's outstanding funded debt increased by $855.9 million to the equivalent of $5,424.2 million. The debt included 97 separate issues, denominated chiefly in U.S. dollars ($3,229.6 million), Deutsche marks ($1,296.2 million equivalent), Japanese yen ($419.4 million equivalent), and Swiss francs ($202.3 million equivalent).

[4] See exhibits 51, 52, and 62.

The World Bank's borrowings during fiscal 1971 reached a new peak of $1,368 million equivalent, compared with $735 million in 1970, and $1,224 million in 1969, the previous peak year. The Bank made two issues aggregating $400 million in the United States during fiscal 1971. New money borrowings in Germany during the year amounted to DM550 million, as compared with DM150 million in fiscal 1970.

The $1,368 million borrowed by the World Bank in fiscal 1971 included $886 million equivalent in new funds and $482 million equivalent of refunding obligations. The principal supplier of funds, other than the United States market, was the Japanese market, which lent $219 million equivalent to the World Bank.

The Bank's obligations were marketed widely, as is indicated by the estimated division of holdings by investors as of June 30, 1971—about 38 percent in the United States; 27 percent in Germany; 8 percent in Japan; 5 percent in Switzerland; and 4 percent in Canada. The remaining 18 percent was held largely by central banks and other governmental accounts.

During the fiscal year, the World Bank's Board of Governors approved two resolutions affecting the capital of the Bank. One resolution provided for selective increases in the subscriptions to the Bank's capital and the other raised the Bank's authorized capital by $3 billion to $27 billion. The proposed selective increases were to raise the subscribed capital of the Bank by $2,222 million to a total of $25,429 million. The U.S. share of the increase, $246.1 million, was to raise the total U.S. subscription to $6,596.1 million. As of June 30, 1971, the increases of nine members totaling $553 million had become effective. The proposed U.S. increase had been authorized by Congress by the end of fiscal 1971, but had not been appropriated.

IDA credits were funded largely by member subscriptions and contributions and grants from the net earnings of the World Bank. IDA's usable resources, cumulative to June 30, 1971, amounted to $3,343 million of which part I (developed) countries had contributed $2,750 million and IBRD grants had supplied $485 million. Earnings and repayments on outstanding credits, together with contributions of part II (developing) and nonmember countries, made up the balance. As of June 30, 1971, these resources had been fully committed.

In anticipation of this, on February 17, 1971, the Board of Governors approved a proposed third replenishment of IDA's resources to cover a 3-year period beginning with fiscal 1972. The proposed replenishment called for total additional contributions, subject to necessary legislative action, of $2,439 million, of which the U.S. share was to be $960 million. The agreement, however, could not become effective until donors pledging not less than $1,900 million and including at least 12 part I members notified IDA that they would make the contributions specified in the agreement. While 11 part I members completed action to make their contributions, replenishment could not come about without the participation of the United States. Legislation to authorize the U.S. contribution was submitted to Congress on May 19, 1971, and was pending action at the close of the fiscal year.[5]

Inter-American Development Bank

During fiscal 1971, the IDB committed a total of $641.3 million, approximately $36.1 million less than during the previous fiscal year but substantially higher than in any earlier year. Of this, $239.3 million was lent on hard terms from the Ordinary Capital resources and $402.0 million on soft terms from the Fund for Special Operations. Furthermore, steps were taken by its members to replenish the IDB's resources as well as to increase available resources by broadening the membership to include nonregional members.

As of June 30, 1971, cumulative lending by the IDB totaled $3.8 billion. Of this, $1.6 billion had been lent from the Ordinary Capital and $2.2 billion from the Fund for Special Operations. These loans also served to mobilize resources from local contributions in member countries almost two times greater than their own level.

During fiscal 1971, three sectors—transportation, power, and agriculture—received most of the funds committed (68 percent). About 35 percent or $203.7 million went to the transportation sector. The power and agricultural sectors received $133.1 million and $98.2 million, respectively. On a cumulative basis, agriculture received the largest amount of funds, $1,028.5 million (27 percent), followed by the transportation sector, which received $721.5 million (19 percent).

The subscribed capital of the IDB totaled $2,763.0 million equivalent on June 30, 1971, of which $2,374.5 million was callable capital. The resources of the Bank's Fund for Special Operations totaled $2,328.0 million equivalent on June 30, 1971.

In fiscal 1971, the IDB borrowed $171 million net, with new resources obtained from the United States, Europe, Latin America, and Japan. This compared with $60 million in fiscal 1970. Borrowings (gross) included $100 million from the United States, $27.3 million from Germany, $18.0 million from France, and $38.2 million from several other European countries. Additionally, $47.4 million of 2-year bonds was sold to Latin America, of which $43.4 million represented a rollover of previous borrowings, and $10.0 million was borrowed from Japan. The IDB's funded debt on June 30, 1971, amounted to the equivalent of $951.7 million.

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[5] See exhibit 48.

During fiscal 1971, the Bank adopted a series of policy changes to make more effective use of its resources. For example, loans from the new replenishment of the Fund for Special Operations were to be repayable in the currencies lent rather than in local currencies so that the Bank would not be faced with an increasing supply of inconvertible currencies.

At the IDB's 11th annual meeting (April 1970) in Punta del Este, Uruguay, the Governors agreed, in addition to providing for a major replenishment of the Ordinary Capital resources and the Fund for Special Operations, to intensify their efforts to bring other developed countries into a closer relationship with the Bank. In this connection, Canada began to consider full membership in the IDB, and a number of meetings were held to help establish a basis for membership or other form of association by nonregional developed countries.

By the end of fiscal 1971, 20 of the IDB's 22 members had completed the necessary legislative actions to replenish the Bank's resources. Nevertheless, the replenishment could not become effective unless and until the United States had completed its action. In December 1970, the Congress authorized the U.S. subscription to the Ordinary Capital resources but authorized only $100 million of the requested $1 billion for the Fund for Special Operations. Furthermore, only a portion of the authorized funds for fiscal 1971 were appropriated. At the end of fiscal 1971, legislation was still pending to complete action on the further authorization for the Fund for Special Operations and the remaining appropriations.

The IDB's first President, Mr. Felipe Herrera, submitted his resignation in October 1970. Mr. Antonio Ortiz Mena, formerly Mexico's Secretary of the Treasury for 12 years, was elected President for a 5-year term in November 1970 and assumed his new duties on March 1, 1971. The 12th annual meeting of the IDB was held in Lima, Peru, May 10–14, 1971. The U.S. delegation was headed by Charls E. Walker, Under Secretary of the Treasury and Acting U.S. Governor of the Bank.[6]

The Asian Development Bank

During fiscal 1971, the ADB committed a total of $241.6 million, $205.1 million from the Ordinary Capital and $36.6 million from the Special Funds. This brought the ADB's cumulative total of loans to $412.2 million—$341.0 million from the Ordinary Capital and $71.2 million from the Special Funds. As of June 30, 1971, the ADB had also undertaken 53 technical assistance projects in 15 member countries.

[6] See exhibit 50.

With the accession to membership of France in August 1970 and the Territory of Papua and New Guinea in April 1970, the Bank's membership reached 36—22 regional and 14 nonregional countries—with subscriptrons totaling $1,005 million.

The last of the five $20 million installments on the paid-in portion of the U.S subscription to the ADB was paid during the fiscal year—$10 million in cash and $10 million in the form of non-interest-bearing letters of credit. Of the $502.7 million subscriptions to paid-in capital for all members, installments totaling $490.3 million had matured as of June 30, 1971.

In April 1971, the ADB entered the U.S. capital market for the first time with an offering of $50 million. Total funded debt at the end of fiscal 1971 was $117.2 million.

As of June 30, 1971, nine countries had contributed or pledged a total of $179.4 million to the ADB's Special Funds (apart from technical assistance); in addition, a total of $24.5 millon had been set aside from Ordinary Capital resources for such lending. On January 26, 1971, President Nixon forwarded a message to Congress urging authorization of a $100 million U.S. contribution to the Bank's Special Funds. The legislation was still pending in Congress at the fiscal yearend.

The fourth annual meeting of the ADB's Board of Governors was held in Singapore, April 15–17, 1971. Assistant Secretary Petty, Temporary Alternate Governor, headed the U.S. delegation.[7]

Trade policy

Fiscal 1971 represented a period of intense activity in international trade policy. The Secretary of the Treasury publicly highlighted the administration's concern about the international trade situation urging the United States to regain its competitive position and actively work for equitable access to international markets. Earlier, this concern was demonstrated when the Council on International Economic Policy was established in the White House. The Department of the Treasury played an active role in the deliberations of this group which covered a wide range of trade issues.

Trade policy matters continued to play an important part in U.S. relations with the EC.[8] The Department of the Treasury contributed to the development of U.S. policy in this area and participated in high-level consultations between American and EC officials in Washington and Brussels. These discussions covered such areas of concern to the United States as the EC's common agricultural policy, the con-

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[7] See exhibit 60.

[8] On July 1, 1968, the Executives of the three European Communities, the European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (EURATOM), merged. Since then the general reference to the Common Market is to the European Communities (EC).

sistency of preferential trading arrangements between the EC and various Mediterranean countries with the General Agreement on Tariffs and Trade (GATT), and compensation for damage to the U.S. citrus trade resulting from the EC's extension of preference on citrus fruit to certain Mediterranean countries.

Treasury personnel continued to participate actively in the efforts in the GATT to move toward fairer trade. Certain industrial nontariff barriers were selected from the inventory notified by member countries as barriers to trade for further examination. Treasury personnel took part in working party sessions in Geneva in which solutions were sought in the selected areas of customs valuation practices, import licensing systems, and industrial, health and sanitary standards.

Demonstrating the increasing interest in trade, Treasury representatives also participated actively in the work of the OECD Export Credits Group, chairing the U.S. delegations to the meetings in Paris, as well as taking the lead in preparing and coordinating, through the National Advisory Council mechanism, U.S. positions on issues being considered at the sessions. During the year the Export Credits Group, with U.S. support, adopted an exchange of information system for export credits exceeding 5 years' duration and presented it for approval to the Executive Committee of the OECD Council. Treasury representatives also participated in the work of an OECD group which prepared a study of the use of trade measures as adjustment process techniques and participated in the OECD's and the U.N. Conference on Trade and Development's work on generalized tariff preferences for less developed countries.

To assist U.S. exporters and producers, the administration continued its efforts to obtain the removal of Japanese quantitative import restrictions and to arrive at an agreement on trade in man-made and woolen textiles. The Department of the Treasury participated in the formation of policy on these subjects. Treasury personnel took an active part in interagency deliberations on imports of nonrubber footwear.

The Department of the Treasury was an active participant in interagency groups charged with the administration of the various laws pertaining to trade (i.e., the Trade Expansion Act of 1962, Section 22 of the Agricultural Adjustment Act, and the Tariff Act of 1930). Escape clause actions, adjustment assistance requests, controls on the imports of meat, steel, and agricultural products were some of the more important matters dealt with.

The Export-Import Bank of the United States, with strong Department of the Treasury cooperation, played a major role during the year in supporting the expansion of U.S. exports. During one of the most active periods in the Bank's history, the Department of the

439-865 O—71——6

Treasury, in view of its responsibilities for monetary and credit policy and management of the national debt, maintained close liaison with the Export-Import Bank at all levels, being represented at formal meetings of the Bank's Board of Directors and advising and assisting in the resolution of policy issues through the National Advsory Council.

Organization for Economic Cooperation and Development

At the 10th Ministerial Council meeting of the OECD held in Paris on June 7–8, 1971, Australia was welcomed as the 23d member of the Organization. In addition to reaffirming the continued high priority being given to a substantial reduction in the rate of inflation, the Ministers discussed underlying trends in the balance of payments of their respective countries and recent developments in the international monetary situation. They recognized that the balances of some countries on current and long-term capital account still diverged from what was appropriate over the longer run, noted the position of certain member countries concerning the special factors affecting their balances of payments, and welcomed the resolve expressed by members to make further progress toward better balance. Against the background of problems posed by massive short-term capital movements, the Ministers also instructed the OECD to give special attention to the factors leading to these flows.

The Ministers affirmed that their governments would pursue policies aiming at greater liberalization of international trade. To facilitate this aim the Ministers agreed to set up within the OECD a small high-level group to analyze the trade and related problems which arise in a longer term perspective.

Under Secretary Volcker continued as chairman of the U.S. delegation to the Working Party of the Economic Policy Committee on Policies for the Promotion of Better International Payments Equilibrium (WP–3). The Working Party, in addition to its reviews of developments in the major financial centers, pursued its work on the compatibility of members' balance-of-payments aims and began as a priority matter its study of the problems of mobile capital flows, pursuant to the instructions from the Ministers. Deputy Under Secretary for Monetary Affairs MacLaury represented the Department of the Treasury on the U.S. delegation to the Economic Policy Committee.

The OECD fiscal committee, formerly concerned primarily with questions of double taxation, was reconstituted in the course of the year into the Committee on Fiscal Affairs and charged with broad responsibilities for the Organization's work in the tax policy area. It continued to be chaired by a Treasury official. The Group on Export Credits, in which the U.S. delegation is led by a Treasury official, reached substantial agreement during the year on a system to exchange information regarding export credits. The Group of Governmental Experts on Financial Markets was transformed into a full committee of the OECD, as the Committee on Financial Markets (CFM) to carry forward OECD efforts to improve capital markets. Deputy Assistant Secretary of the Treasury Cates participated in the U.S. delegation to this Committee. Its subgroup, which had been formed to investigate the possibility of developing standard rules for mutual fund operations, under the chairmanship of a Treasury official, completed its report during the year and transmitted it to the CFM for action. The Department of the Treasury also continued to participate actively in the work of other bodies of the OECD, including the Development Assistance Committee, the Trade Committee, and the Committee for Invisible Transactions. In addition, an official of the Department of the Treasury regularly represented the United States as an observer at the meetings of the Managing Board of the European Monetary Agreement.

Bilateral assistance

Bilateral assistance to the developing countries continued at an active pace during fiscal 1971. The three principal institutions responsible for this were the Agency for International Development (AID); the Public Law 480 food-for-peace program, administered by the Department of Agriculture; and the Overseas Private Investment Corporation (OPIC). Loan and guaranty activity is summarized below.

[In millions of dollars]

	Fiscal 1970	Fiscal 1971
Development loans	791.4	676.4
Public Law 480, food-for-peace program	772.8	930.8
Overseas Private Investment Corp.:		
Insurance and guarantees	1,496.4	1,316.7
Direct lending	33.6	13.5

The Department of the Treasury participated in the U.S. development finance programs through the National Advisory Council and other interagency committees to review proposed assistance programs, relating them to overall U.S. international development and balance of payments objectives.

The Treasury worked closely with Office of Management and Budget and other Government agencies in the formulation of a new program for U.S. bilateral assistance by designing a separate organization to carry out each objective: development, technical, and security assistance. These proposals were being considered by the Congress as fiscal 1971 ended.

Agency for International Development.—The Department of the Treasury participated during fiscal 1971 on the Development Loan Committee of the Agency for International Development (AID). AID authorized 56 development loans totalling $676.4 million which represented a reduction from $791.4 million in fiscal 1970.

Included in the fiscal 1971 development loan program were 28 loans to East Asia, Africa, the Near East, and South Asia, which amounted to $463.9 million. Under the Alliance for Progress, 28 loans totalling $232.5 million were made in Central and South America.

Of the total loans, eight were program loans used to finance the import of U.S. commodities and capital goods, and 48 were project or other types of loans, including "sector" loans, two-step loans to intermediate credit institutions, feasibility study loans, and special purpose loans. AID program lending in fiscal 1971 totaled $316 million. Project and other loans amounted to $380 million.

Public Law 480.—During fiscal 1971, 53 title I sales agreements and amendments were signed with participating governments and private trade entities for a total export market value of approximately $930.8 million. This was an increase over fiscal 1970 activity when 33 title I agreements were signed with an approximate market value of $772.8 million.

The Overseas Private Investment Corp.—OPIC, created by the Foreign Assistance Act of 1969, was formally organized on January 10, 1971, to stimulate the participation of U.S. private capital and managerial resources in the process of economic and social development in less developed, friendly countries and areas. The new corporation, which assumed the authorities which had been administered by OPIC's predecessor, the Office of Private Resources of AID, was to be guided by a joint public-private board of directors experienced in both large and small business, organized labor, cooperatives, and government.

OPIC was organized to administer three general incentive programs: Preinvestment assistance, investment insurance, and project financing.

OPIC's legislative mandate charged the corporation to operate these programs on a financially self-sustaining basis by applying risk management principles in the issuance of insurance, by selecting projects designed to maximize the developmental impact of OPIC's resources, and by identifying and developing new investment opportunities which would heighten the contribution of U.S. private enterprise in the process of achieving social and economic progress in the less developed countries and areas.

Investment insurance was designed to assist in minimizing the risks of currency inconvertibility, expropriation, and war, revolution and insurrection damage—risks occurring in the developing countries and areas—in order to facilitate a steady flow of U.S. private capital and technology into the developing world. The investment insurance program expanded at an accelerating rate, more than doubling during fiscal years 1968–70. This growth and the concentration of exposure in particular industries and countries led to increasing concern with risk management of the insurance operations. During fiscal 1971, OPIC applied risk management policies to specific investments in natural resources and other large and sensitive projects. In addition, risk management techniques designed to help control the amount of exposure in any given country were instituted.

Investment financing, a relatively new program, was provided to enable eligible development projects to obtain U.S. private long-term financing through OPIC guarantees or direct dollar or foreign currency loans which might not otherwise have been available except at prohibitive terms. Preinvestment assistance, largely comprised of information services, investment counseling, and incentive financing, was focused on experimental programs, offering partial financial support for feasibility studies and project development research in the agribusiness area; for example, the production, storage, distribution, and marketing of high-protein nutritional foods.

Under Secretary for Monetary Affairs Volcker represented the Department of the Treasury on OPIC's 11-man board of directors during fiscal 1971.

Local currency management.—The Secretary made another annual determination of the currencies excess to the normal requirements of the United States for fiscal 1972 and 1973. Several sections of the Treasury staff continued to be actively involved in the administration and utilization of U.S.-owned local currencies. An important objective of managing them was to maximize balance of payments benefits.

ADMINISTRATIVE REPORTS

Administrative Management

Management improvement program

The Department, by yearend, had realized benefits valued at $58 million from management improvement actions that were taken during the year. Of this amount $2.1 million was realized through Treasury's participation in the Government-wide study to improve reporting and reduce paperwork. The remainder was derived from improvements in regular operations, $16.5 million, and fiscal management actions, $39.2 million. The benefits from the latter two sources are expected to reach $108.8 million over a 3-year period.

Treasury bureaus selected more than 30 operational areas for priority attention in fiscal 1971 under the program's management effectiveness element, intended to encourage identification of management problems and to take long-range efforts to solve them. Details of significant progress are in individual bureau reports which follow. In recognition of outstanding achievements in this program, four nominations were submitted for Presidential awards.

Special studies and projects

Studies and projects completed at the departmental level included: A management review of the Bureau of the Mint; participation in a study of the organization of the Internal Revenue Service and assistance in implementing certain recommendations; a reorganization of the Office of Administrative Services into two organizations, an Office of Administrative Programs and an Office of Central Services; and an internal reorganization in the Office of the Assistant Secretary (Enforcement and Operations).

Treasury participation in the foreign technical cooperation programs of the Agency for International Development remains relatively extensive with teams of customs and tax advisers at work in 19 developing nations. In addition, the Department participates in arranging training programs for many foreign visitors coming to the United States under the auspices of AID.

Emergency preparedness

Many actions were taken to maintain a high degree of emergency preparedness throughout the Department. The most significant of these was a Department-wide alerting system test conducted in November 1970. The speed with which alert notifications could be disseminated and the ability of cadre members to respond to these notifications were satisfactory. A number of field offices were visited to provide assistance and guidance in their emergency preparedness activities.

Because of a wave of bomb threats and demonstrations, guidance was issued to bureaus for the development of contingency plans to handle these and related emergencies. Similar guidance was issued on preventive measures to be taken to preclude employee-related incidents. A reporting system encompassing all types of emergency occurrences was also developed and implemented.

Planning and program evaluation

During fiscal 1971 the planning and program evaluation staff:

(1) Completed and distributed the "Treasury Law Enforcement Statistical Study" which recommended methods of improving the information system. A task force was named by the Treasury Law Enforcement Council to carry out the report's recommendations.

(2) Prepared an analysis of the impact of inflation on the Treasury's budget covering the period 1965–1970. It is estimated that 70 percent of the increase in the Treasury's budget during this period was accounted for by wage and price increases.

(3) Participated in a study of the organization and management of the Bureau of the Mint, with particular attention given to forecasting the demand and associated production requirements for coins.

(4) Continued participation in the Internal Revenue Service study (concluded during the year) leading to the redefinition of audit classes for the IRS audit program, to improve evaluation of program plans as well as tax administration.

(5) Began an analysis of the relationship of IRS district audit manpower resources and potential workload.

(6) Participated in the development by IRS of new overall criteria, by audit classes, for the selection of returns, following up some of the recommendations of the Audit Review Committee.

(7) Began, jointly with Customs, a project to estimate the volume of narcotics consumed in the United States.

(8) Continued work on the development of a simulation model for use in analysis of operations and allocation of resources of the IRS service centers.

(9) Continued preparation of the quarterly coin sample as an aid in estimating coin requirements.

Financial management

Budgeting.—Budget staff continued to develop policies and procedures and direct and coordinate the formulation, justification and presentation of budget estimates which totaled nearly $22.6 billion in fiscal 1971. The amount includes $1.3 billion for operating appropriation, $20.9 billion for public debt and other interest accounts and $0.4 billion for numerous miscellaneous permanent and trust accounts.

During fiscal 1971, the budget staff:

(1) Established and maintained controls on expenditures and on the number of personnel on the roll to comply with limitations prescribed by the Office of Management and Budget. Controls were continued on the size of motor vehicle fleets and on overseas employment.

(2) Assisted in the preparation and presentation of budget requests totaling over $2.4 billion in funds to be appropriated to the President for the U.S. share of contributions to five of the international financial institutions of which the Secretary of the Treasury serves as a Governor.

(3) Assisted Treasury bureaus in the identification and reprogramming of funds with which to absorb $10 million of pay increase costs and to absorb another $9 million in unfunded costs for: Higher entrance salaries in certain major metropolitan areas; additional printing costs; increased taxes on air travel costs; protection of visiting foreign dignitaries; and the emergency costs of the air security program.

(4) Succeeded in obtaining congressional approval for the establishment, beginning in fiscal 1972, of a working capital fund for certain common services performed in the Office of the Secretary (Public Law 91-614, dated December 31, 1970).

(5) Gave special budgetary consideration and emphasis—including the preparation of requests for reprograming actions, supplemental appropriations, or reimbursements—to programs and items of special concern to the administration and the Department. These include: Control of narcotics smuggling; prevention of aircraft hijacking; explosives control; protection of foreign dignitaries; and timely issuance of increased social security payments.

Accounting systems.—Efforts to maintain and strengthen the administrative accounting systems of the Department were continued, primarily by assisting the bureaus on problems relating to accounting organizations, plans for new systems, recruitment of personnel, and coordination of General Accounting Office systems review activities. Internal Revenue Service designed a new computer system for generating wage and separation information, resulting in savings in excess of 23 man-years or $175,000 per year. Bureau of Customs intensified efforts to collect past due accounts receivable, reducing delinquent receivables by 30 percent or $4,500,000. At yearend, three administrative accounting systems remained with the General Accounting Office for approval.

Management of automatic data processing.—The Department used 82 computers, 22,950 man-years and $230 million in its ADA operations during fiscal 1971 which involved 20 percent of the Department's operating resources. Among the benefits were annual operating savings of 399 man-years and $3.6 million, net additional revenue of $645 million, increased exchange of data between Federal agencies and State governments, support of law enforcement operations, and more timely service to the general public. Accomplishments in the management of ADP activities included use of new approaches to the procurement of new computers as well as acquisition of 2 computers excess to other agencies and completion or continuation of studies for new uses of computers in 5 bureaus.

Internal auditing.—A general review and appraisal of internal auditing in the Office of the Treasurer resulted in proposals designed to strengthen the audit staff and to improve the audit reports and the administration of audits. Treasury bureau audit staffs were furnished consulting and advisory services on a variety of auditing and related matters including the financing of CPA review courses and raising the organizational position of internal auditing. In addition, several well-qualified auditors were located to fill important vacancies on bureau audit staffs. Plans to strengthen bureau audit systems were formulated at the end of the year to coincide with the establishment, effective July 1, 1971, of the Office of Audit under the immediate supervision of the Assistant Secretary for Administration.

Direct audit service to the Office of the Secretary included the examination of financial statements, payroll activities, and equipment accounting procedures. Also, substantial assistance was rendered the Office in advising on and developing procedures for implementing the Department's working capital fund.

Personnel management

An urgent program of nationwide recruitment and specialized training of some 1,300 customs security officers to combat air piracy was planned and completed during the year. One major policy decision, of broad significance in the equal employment opportunity program, opened the customs security officer recruitment to women. As an apparent outgrowth of that decision, the Civil Service Commission amended its regulations to specify that the requirement of bearing firearms may no longer be used as a basis for excluding women from Federal positions.

In still other respects, equal employment opportunity continued to be a very important part of Treasury's total personnel management program. Action plans were developed and submitted to the Office of the President for the employment of more women throughout the Department, with special emphasis on upper-grade positions. Plans were developed for the expansion of cooperative work-study agreements with Negro colleges and for carrying out the intent of the Administration's 16-point program for the Spanish-surnamed. A new Federal junior fellowship program was implemented to provide summer and vacation employment to academically motivated students who need financial assistance to attend college. Additional emphasis was given "upward mobility" by a workshop conference to assist bureaus in the development of meaningful action plans. Employment and training under the public service careers program was initiated in several Treasury offices, funded in part through cost-sharing agreements with the Civil Service Commission.

As in the past years, the preponderance of employee training in Treasury was Government-facility training for required technical and professional development. Expanded law enforcement requirements were reflected in attendance of 1,119 at the criminal investigator training course of the Treasury Law Enforcement School—274 more than the previous year. In addition, 1,317 customs employees successfully completed the Treasury Air Security Officer School course. Executive and management development efforts of the bureaus were supplemented by the attendance of 21 Treasury executives at the Federal Executive Institute and 104 middle management personnel at the CSC Executive Seminar Centers. A total of 3,457,891 man-hours of training were provided to Treasury employees during fiscal 1971.

New incentive awards regulations were issued, incorporating guidelines for the recognition of contributions to the Department's effectiveness from private sources and for furthering equal opportunity. Estimated first-year benefits for employee suggestions totaled $902,524, and similar benefits recognized by special achievement awards brought the total to $1,668,579. Two Treasury employees were recognized by the President, one with a Presidential Management Improvement Award and the other the President's Award for Distinguished Federal Civilian Service.

A good beginning was made on the implementation of a comprehensive personnel management evaluation program. Within the framework of departmental instructions, bureaus have established programs tailored to their specific circumstances. A seminar for top-level managers in personnel management evaluation, attended by more than a hundred individuals, assisted in providing a broader understanding of objectives and requirements of the program.

The Federal labor relations system prescribed by Executive Order 11491 became fully effective during this fiscal year, ending the period of transition from Executive Order 10988. The Department submitted comments on the proposed regulations of the various regulatory bodies (the Federal Labor Relations Council, the Federal Service Impasses Panel, the Department of Labor, and the Federal Mediation and Conciliation Service); provided testimony for the public hearings of the Council; and participated in drafting the Federal Personnel Manual chapter on "Intra-Management Communication."

Administrative services

Exhibit Hall.—The Treasury Exhibit Hall has been seen by over 40,000 visitors since its reopening in late September 1970. The projected annual total is in the range of 200,000 visitors.

Property and space.—Blanket purchase agreements for office machines and miscellaneous materials resulted in estimated savings of $410,000. Consolidated procurement of ammunition for Treasury law enforcement activities not only improved supply procedures but also resulted in a savings of $45,000.

Consolidation of Treasury requirements for 465 law enforcement vehicles, procured through GSA, resulted in dollar savings and improved vehicle procurement procedures.

Personal property transactions included reassignment within Treasury of $350,000 in property; transfer of property valued at $1½ million to other Federal agencies; and donation of $2 million in property for use by State organizations and nonprofit groups. Treasury also obtained without reimbursement, personal property valued at over $2.75 million from other Federal agencies, which was excess to their needs. Included were several aircraft and a computer system, which were obtained by the Bureau of Customs.

The Bureau of the Mint was assisted in the development of specifications for the procurement and distribution of 58 million order forms for the Eisenhower dollar to more than 83,000 destinations. Substantial savings were realized from the project in which 10 freight car loads of paper were utilized.

With funding and technical support by GSA, the Main Treasury Building's north entrance plaza has been resurfaced. The Secretary's entrance has been renovated and restyled.

Fourteen leased locations were relocated in Federal space at a savings of $109,626 in annual rent. Nineteen offices in leased and Federal space were closed resulting in a savings to the Government of $299,503.

Safety.—Treasury experienced the lowest rate in its history of job-connected lost-time injuries. This record resulted in attainment of the Mission SAFETY–70 goal and selection for "Honorable Mention" in the President's safety awards.

Paperwork management.—A special study is underway to improve Federal reports and reduce related paperwork.

Communications.—The Main Treasury Telecommunications Center was expanded and modernized to handle messages of any classification to any destination which has secure facilities, 24 hours a day, 7 days a week.

The communications cost of the Customs Automatic Data Processing Intelligence Network (CADPIN) was reduced by over 50 percent at an annual saving of approximately half a million dollars.

The Bureau of Customs installed the first sector control console of their Mexican border radio system at San Antonio, Tex., in February 1971. This console was the pilot model that enabled Customs to check the system concept and correct any faults prior to installation of the other sectors. While the entire system is not as yet operational, the sector network has already been used successfully in smuggling cases.

The National Security Agency is working on a small, low-cost, voice privacy device for Treasury law enforcement radio systems.

Treasury played an important part in formulating the U.S. position for the pending space World Administrative Radio Conference (WARC).

Security activities

During fiscal 1971 the Office of Security processed 1,698 sensitive, 250 reinvestigation, and 383 nonsensitive cases.

Physical security inspections were conducted in all bureau headquarters offices and 90 bureau field offices.

Consolidated Federal Law Enforcement Training Center

The Consolidated Federal Law Enforcement Training Center was formally established effective March 2, 1970. On July 1, 1970, the Center was reaffirmed as an organizational entity within the Department of the Treasury to function as an interagency training facility and was placed under the supervision of the Assistant Secretary (Enforcement and Operations).

On September 30, 1970, the cooperating agencies—Office of Management and Budget, Department of State, Department of the Treasury, Department of Justice, Post Office Department, Department of the Interior, Smithsonian Institution, and the Civil Service Commission—placed in effect a memorandum of understanding for the sponsorship and operation of the Consolidated Federal Law Enforcement Training Center.

The memorandum of understanding created a Center Board of Directors to consist of seven members—one each appointed to unlimited terms by the Departments of the Treasury, Justice, Post Office, and the Interior; as decided by the Board, one member appointed for a 2-year term to represent all other participating agencies; and one nonvoting member each appointed to unlimited terms respectively by the Office of Management and Budget and the Civil Service Commission. The memorandum of understanding provides that the Board shall have authority over training policy, programs, criteria, and standards of the Center.

During calendar year 1970 numerous planning meetings were engaged in by representatives of the participating agencies, the General Services Administration, the architectural firm holding a planning contract, and the educational technology firm holding a subcontract to the architectural firm. The purpose of the meetings of the above group (called the CFLETC Interagency Working Group-CIWG) and meetings of the Center Board of Directors was to help plan the overall facility to be built at Beltsville, Md.

On March 25, 1971, the "Guidance" for the Consolidated Federal Law Enforcement Training Center was issued. This document sets forth the approved program for the Center and served as the basis for the revised "Prospectus" submitted to the Congress on March 31, 1971. When fully operational sometime in fiscal 1975, the Center expects to train from 19 different participating Federal law enforcement agencies some 745 students at any given time or a total of 8,725 different students during 1 year. Presently, the outdoor firing ranges, a motorcade training area, and a special training building which supports the ranges and the motorcade area are under construction and expected to be ready for use during the autumn of 1971.

On May 12, 1971, the "Final Environmental Statement" was submitted to the Council on Environmental Quality. On the same date all materials required in connection with the preliminary master plan were submitted to the National Capital Planning Commission.

The Center will be located on 491 acres at Beltsville, Md. Of this, 442 acres is federally owned property, and the balance of 49 acres is privately owned land to be acquired.

At present there are three principal operating divisions of the Center—the Treasury Law Enforcement School, the Treasury Air Security Officer School, and the Range Operations Division.

The Treasury Law Enforcement School (TLES), which has been in operation for many years, was merged into the Center effective July 1, 1970. The TLES provides basic law enforcement training for Treasury agents, and in fiscal 1971, 1,119 agents were trained. The Treasury Air Security Officer School (TASOS) was created in November 1970 and by May 21, 1971, had trained 1,317 Customs security officers for the air security program.

The U.S. Secret Service cooperates with the Center and provides Secret Service personnel to the Range Operations Division which supervises and conducts basic firearms training. The 1,119 students trained by the TLES and the 1,317 Customs security officers trained by the TASOS were given firearms training by this Division.

Office of the Comptroller of the Currency

The Comptroller of the Currency, as the Administrator of the National Banking System, is charged with the responsibility of maintaining the public's confidence in the System by sustaining the banks' solvency and liquidity. An equally important public objective is to fashion the controls over banking so that banks may have the discretionary power to adapt their operations sensitively and efficiently to the needs of a growing economy.

Office operations

In fiscal 1971 the Office of the Comptroller of the Currency achieved further modernization of sound administrative practices. Efficient manpower utilization of examiners was increased as the result of a coordinated effort to reduce travel and improve scheduling techniques in the field. Bank examining procedures were refined and reports were revised to reflect these improvements.

The space management activity consisted of relocating the Philadelphia and Boston regional offices to more adequate quarters and establishing several new subregional offices across the country. Further improvements in headquarters operations were made in records management and supply and procurement. Data processing services were expanded to provide various divisions with timely, accurate information.

Personnel

Personnel administration gave additional emphasis to programs initiated in fiscal 1970 and new personnel policies were developed in fiscal 1971 to achieve a more progressive and comprehensive personnel management program. The Comptroller's merit promotion plan for nonexamining personnel served to make employees more aware of promotional opportunities and permitted selections from among the best qualified.

The major emphasis of training continued to be directed toward the bank-examining occupation. At yearend, the Office had 67 financial interns (approximately 20 percent from minority groups) in the cooperative work-study program for developing college students for future bank examiner positions. A self-instructional program for newly appointed assistant national bank examiners was established during the year designed to acquaint the new examiner with the Federal bank supervisory agencies, the Nation's banking industry and certain basic functions he will perform during his early assignments in the field. Also, the National Bank Examiner School continued to be of prime importance in the career development program where a 2-week course presents an in-depth coverage of loans and investment securities. Future sessions on supervisory techniques are planned.

An intensive international training course was developed in fiscal 1971 to better prepare examiners for examining foreign branches and international departments of national banks; 25 examiners received instruction in operations of foreign departments of American banks, Edge Act and Agreement Corporations, overseas branches, etc.

Other training included: Participation by selected examiners in a variety of correspondence courses on banking and attendance at various graduate schools of banking; enrollment of examining personnel in a programed instruction course, "Computer Systems Fundamentals," through their local IBM center; 5-day seminars in the use of EDP techniques in bank examinations as well as specialized instruction in advanced EDP; and participation by several management level personnel in the Federal Executive Institute management seminars and Harvard Graduate School of Business management programs.

As a result of a comprehensive study of the field examination function, a "Guide for Determining Grade Levels of National Bank Examiner Positions" was issued in fiscal 1971. This included descriptions of the typical responsibilities of national bank examiners who perform the normal field examination work. The basic objectives of the guide were to better identify a career ladder for examiners, to provide a common understanding of grade levels, to achieve pay equity, and to encourage more effective manpower utilization practices.

An evaluation of personnel management was received by the Comptroller in July 1970 from the Civil Service Commission as a result of an inspection made by Commission representatives of the personnel operations of the Office. In Chairman Hampton's letter to Secretary Kennedy, he stated that the ". . . summary of accomplishments in bringing modern concepts of personnel management to the operation of his office is indeed impressive."

As a part of a continuing effort to emphasize youth in meeting organizational objectives, a youth advisory panel was established in Washington in fiscal 1971. Initial goals were established, including an effort to achieve better communications between management and employees. A survey conducted of total staffing revealed approximately 65 percent of all employees are under 35 years of age, including a substantial percentage of those in executive positions.

At the request of management, the Personnel Division developed appropriate materials to permit division chiefs and other key managers in Washington to analyze their workload in terms of their current and future manpower needs. Organization and staffing charts, questionnaires and related materials were coordinated and summarized in order to facilitate minimum staffing for each organizational segment.

A comprehensive personnel evaluation program was implemented and provides for significant personnel management and training goals to be achieved during the coming year and the goals contain specific plans for accomplishment and interim target dates.

Fiscal management

For the Fiscal Management Division fiscal 1971 proved to be exceptionally challenging in terms of the demands placed upon the financial management information system. These demands for information arose as the result of a greater increase in expenditures rather than an increase in revenue, along with an increase in the number and types of reports on budgetary and financial matters required. As a result of the program (initiated in fiscal 1968) to produce a financial information system responsive to management needs, information

439-865 O—71——7

was provided in a timely manner to permit management to deal effectively with the rising costs of operations. Increased reporting requirements were met in an efficient and orderly manner due to the availability of comprehensive financial data.

Major improvements in the financial system of the Office were the further elimination of manual accounting procedures through machine applications and the refinement of existing machine applications to obtain more accurate and useful information under the responsibility-centered cost accounting aspects of the financial system. The most significant achievement in both these areas was the preparation of all monthly financial statements on an automated basis.

The review and analysis of cash forecasting and cash flow continued to contribute to record investment income. This program, along with record high interest rates, resulted in investment income increasing by 25 percent or more for the third consecutive year.

The Internal Audit Division extended its review of internal operations to include management audits relating to the activities of operational divisions as well as financial audits. During this period the division also initiated a program whereby management in Washington and the field offices were solicited for ideas on audit areas to be included in the annual audit plan. The response was stimulating and the annual audit plan was adjusted to increase the extent of audit coverage of field activities.

Information services program

The purpose of this continuing program is to make the policies and procedures of the Office of the Comptroller of the Currency better known and to facilitate communications among the Office, the banking industry, and the general public.

Basic publications available to employees, banks, and other interested parties are: "Comptroller's Manual for National Banks," "Comptroller's Manual for Representatives in Trusts," and the monthly "Summary of Actions." The "Directory" also is published and contains the address and telephone number of every decisionmaking official in the Office together with his picture and a biographical sketch. The "Annual Report of the Comptroller of the Currency" is available to interested parties and contains a general statement of policy, descriptions of the state of the National Banking System, of Office operations, and reprints of selected Office documents relating to crucial public issues in banking.

Status of national banks

The total assets of national banks spurted by $40.4 billion, or 12.9 percent, during fiscal 1971, reaching $353.0 billion. This increase contrasted sharply with the 2.5-percent figure for fiscal 1970. Total deposits increased by $39.7 billion for a 15.5-percent increase. Of this amount, time and savings deposits accounted for $30.3 billion, and demand deposits for $9.5 billion.

Number of national banks and banking offices, by States, June 30, 1971

	National banks		With branches	Number of branches	Number of offices
	Total	Unit			
United States	4,599	2,933	1,666	12,741	17,340
Alabama	89	43	46	196	285
Alaska	5	0	5	53	58
Arizona	3	1	2	220	223
Arkansas	69	34	35	83	152
California	59	7	52	2,418	2,477
Colorado	121	108	13	13	134
Connecticut	26	4	22	244	270
Delaware	5	3	2	4	9
District of Columbia	11	1	10	69	80
Florida	222	222	0	0	222
Georgia	60	26	34	193	253
Hawaii	1	0	1	9	10
Idaho	7	2	5	111	118
Illinois	412	356	56	56	468
Indiana	122	48	74	346	468
Iowa	99	58	41	59	158
Kansas	171	138	33	33	204
Kentucky	80	35	45	143	223
Louisiana	49	11	38	182	231
Maine	19	3	16	107	126
Maryland	41	12	29	263	304
Massachusetts	84	19	65	437	521
Michigan	102	31	71	567	669
Minnesota	198	196	2	6	204
Mississippi	39	5	34	144	183
Missouri	98	75	23	23	121
Montana	49	48	1	1	50
Nebraska	125	100	25	25	150
Nevada	4	1	3	62	66
New Hampshire	48	25	23	53	101
New Jersey	122	18	104	717	839
New Mexico	33	8	25	74	107
New York	165	63	102	1,293	1,458
North Carolina	22	2	20	577	599
North Dakota	42	32	10	10	52
Ohio	218	68	150	757	975
Oklahoma	198	157	41	41	239
Oregon	9	2	7	254	263
Pennsylvania	296	133	163	1,071	1,367
Rhode Island	5	0	5	94	99
South Carolina	20	4	16	250	270
South Dakota	33	24	9	58	91
Tennessee	77	17	60	285	362
Texas	529	529	0	0	529
Utah	10	5	5	74	84
Vermont	26	11	15	49	75
Virginia	100	25	75	485	585
Washington	23	7	16	456	479
West Virginia	85	85	0	0	85
Wisconsin	126	90	36	68	194
Wyoming	41	41	0	0	41
Virgin Islands	1	0	1	8	9
District of Columbia (all) [1]	14	1	13	104	118

[1] Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Assets, liabilities, and capital of national banks, selected dates

[In millions of dollars]

	June 30, 1970 (4,638 banks)	Dec. 31, 1970 (4,621 banks)	June 30, 1971 (4,599 banks)
ASSETS			
Cash, balances with other banks, and cash items in process of collection	51, 953	56, 040	57, 255
U.S. Government securities [1]	33, 003	40, 904	41, 207
Obligations of States and political subdivisions [1]	37, 064	41, 542	46, 253
Other securities [1]	1, 460	1, 800	2, 071
Total securities [1]	71, 527	84, 246	89, 531
Federal funds sold and securities purchased under agreements to resell	6, 544	10, 436	9, 574
Direct lease financing	759	790	828
Loans and discounts [1]	169, 915	177, 202	182, 868
Fixed assets	5, 557	5, 911	6, 231
Customers' liability on acceptances outstanding	2, 229	2, 054	2, 218
Other assets	4, 137	4, 227	4, 459
Total assets	312, 621	340, 906	352, 964
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	98, 207	107, 768	105, 000
Time and savings deposits of individuals, partnerships, and corporations	105, 859	119, 843	130, 684
Deposits of U.S. Government	5, 200	5, 061	5, 492
Deposits of States and political subdivisions	20, 803	25, 053	26, 540
Deposits of foreign governments and official institutions, central banks, and international institutions	4, 636	3, 386	3, 305
Deposits of commercial banks	14, 866	18, 494	17, 267
Certified and officers' checks, etc	4, 811	4, 179	5, 850
Total deposits	254, 382	283, 784	294, 138
Demand deposits	133, 342	145, 122	142, 819
Time and savings deposits	121, 040	138, 662	151, 319
Federal funds purchased and securities sold under agreements to repurchase	11, 346	11, 830	14, 473
Liabilities for borrowed money	1, 715	1, 280	1, 186
Acceptances executed by or for account of reporting banks and outstanding	2, 267	2, 096	2, 264
Other liabilities	15, 000	13, 205	11, 094
Total liabilities	284, 710	312, 195	323, 155
RESERVES ON LOANS AND SECURITIES			
Reserves on loans	3, 710	3, 747	3, 713
Reserves on securities	89	89	89
Total reserves on loans and securities	3, 799	3, 836	3, 802
CAPITAL ACCOUNTS			
Capital notes and debentures	1, 136	1, 161	1, 314
Preferred stock	63	63	64
Common stock	6, 357	6, 457	6, 681
Surplus	10, 438	10, 659	11, 325
Undivided profits	5, 437	5, 864	5, 955
Reserves	681	671	668
Total capital accounts	24, 112	24, 875	26, 007
Total liabilities and capital accounts	312, 621	340, 906	352, 964

[1] Gross, reserves not deducted.

Bureau of Customs

The mission of the Bureau of Customs is to collect and protect the revenue on imports and enforce customs and related laws. Customs administers the Tariff Act of 1930, as amended, and other laws. Specific tasks in accomplishing this mission include the assessment and collection of duties and taxes; control of carriers, persons and merchandise entering or departing the United States; administration of the tariff and related laws affecting international trade and traffic; detection and prevention of smuggling and frauds on the revenue; and regulation of vessels coastwise and in fishing trades. In addition, an air security program, including preflight screening of boarding air passengers and in-flight undercover guarding to prevent skyjackings, was added to the Customs mission this past year. The Bureau has special programs to inform the public of its requirements and encourages voluntary compliance by the international trading community with the laws, regulations, and controls established by Customs and numerous other Federal agencies.

In carrying out its mandate from the President for a sharply increased effort to curb the flow of illegal narcotics into the United States, Customs made the greatest seizures of hard narcotics and marihuana in its history. A record 937 pounds of heroin were seized in the past year, as well as 360 pounds of cocaine and 177,388 pounds of marihuana. Increasingly sophisticated investigation and detection techniques including the use of detection dogs, computers, specialized mail segregation, and blitz cargo inspections were effective in making these massive seizures.

The Bureau in conjunction with the Office of Management and Budget and the Bureau of Narcotics and Dangerous Drugs has implemented a performance measurement system which is designed to measure the performance of agencies participating in the Government-wide narcotics control program. The system will provide the President with an overall picture of the drug abuse problem and the effectiveness of efforts to combat it.

Liaison with the Department of Defense resulted in the full cooperation of the military services in this priority program to prevent the smuggling of hard narcotics, especially high-grade heroin, into the United States from Vietnam and Thailand. In the first 4 weeks of this program, intensified inspection of 75,000 personnel, 149 vans, 10 containers, and 33,000 individual pieces of cargo resulted in 568 seizures including 109 seizures of narcotics, marihuana and hashish. Examination of 290,000 pieces of mail resulted in 104 seizures of narcotics, marihuana and hashish. A program of intensified inspection of all military personnel returning from Southeast Asia and 100 percent examination of all APO and FPO mail from that area was initiated by the Bureau.

A number of cases litigated during the year under the statute prohibiting the importation of obscene materials gave further guidance to the Bureau in its construction of the applicable statutes. Several cases involved commercial motion-picture films, but undoubtedly the most important case was the case of the *United States* v. *Thirty-Seven Photographs*. In that case the obscenity statute enforced by Customs was held to be constitutional and enforceable provided the rights of the plaintiff to a speedy disposition of his case were observed. A case remaining on the docket of the Supreme Court involves a seizure of a number of obscene films from the baggage of an arriving passenger which were claimed to be intended for the noncommercial private use of that individual and therefore outside the scope of the obscenity statute under the constitutional guarantees.

Bureau and field operations

Antidumping and countervailing duties.—In fiscal 1971, 22 dumping cases were initiated and 23 were closed. Ten findings of dumping were issued during the year, and 32 cases remained on hand at yearend. One countervailing duty case was closed, and one proceeding notice and two countervailing duty orders were published.

The administration's policy of a vigorous enforcement of the Antidumping Act and more rapid processing of antidumping cases has resulted in a staff increase to administer this function and a new approach to the completion of a case. A team, composed of several operations officers and their clerical support, concentrates on a case until completion. A calculator which can be programmed and various other pieces of modern office equipment are being utilized in the program. Supplementary funds in the amount of $500,000, covering 66 new positions, were approved by the Congress.

Appraisement.—The Customs Court has supported the Secretary's authority in issuing guidelines for the appraisement of footwear subject to ASP (American selling price). In order to bring field practice into accord with the intent of the statute, the Bureau conducted an inquiry of domestic manufacturers to ascertain whether prices to be used in future ASP master lists are freely offered. The data collected is being analyzed and will soon be furnished to the field.

New programs and procedures are currently being developed to increase the effort and effectiveness of import specialists in detecting fraud and other violations in commercial shipments of cargo.

Carriers and persons entering.—Nearly 232 million persons, arriving either as pedestrians or on the nearly 67 million carriers entering, were inspected by Customs during fiscal 1971. There was a 2.8-percent increase in persons arriving and a 2.0-percent increase in carriers over fiscal 1970. (See Statistical Appendix.)

The screening inspection system (SIS) was implemented at all major gateway airports during fiscal 1971. Under the SIS configuration, Customs assumed the responsibility for conducting all primary and secondary inspection of passengers and baggage. The customs inspector is permitted to exercise his judgment as to the degree and intensity of inspection required. In connection with this program and as part of the overall effort to increase enforcement, a revised baggage declaration was adopted which, among other changes, reinstituted the requirement for a signature by the passenger and requires certain additional information (e.g., date of birth).

At major gateway airports, the arrival scheduling patterns of most of the principal U.S. and foreign flag carriers create tremendous concentrations of passengers during certain hours. Customs, along with the other Federal inspection services, and the Port of New York Authority have been pressing the airlines and other aircraft operators to adopt more rational scheduling. The Civil Aeronautics Board agreed to authorize the carriers operating into Kennedy International Airport to discuss rescheduling of arrivals to reduce some of this congestion. The carrier scheduling committees met in the spring of 1971 and agreed upon certain adjustments in the arrival schedules which will reduce the anticipated summer traffic volume to a maximum of 2,500 per hour, which is the maximum now permitted to disembark by the Port of New York Authority.

Allied with this program was a review of landing rights that have been granted over the years to scheduled and supplemental carriers operating into major international airports. The review was designed not to restrict existing landing rights but rather to update information on these landing rights and give greater control over the granting of such rights in the future with a view to more rational scheduling of arrivals of aircraft from abroad.

Customs has also been pressing the aircraft operators to deliver baggage more promptly from arriving aircraft. Delays in baggage delivery have been one of the principal sources of inconvenience to arriving air passengers and of congestion at the gateway airports.

Collections.—Revenue collected by Customs during fiscal 1971 of almost $3.47 billion exceeded last year's $3.30 billion by 5 percent. Collections and payments by customs regions and districts, as well as the major classes of all collections made by the Bureau of Customs are contained in the Statistical Appendix. The cost of collecting $100 was $5.51 as compared with $3.92 in fiscal 1970. The increased cost was due to greatly increased enforcement activities which were largely nonrevenue producing.

Customs information exchange (CIE).—The mission of the CIE is to assure uniformity in appraisement and classification of merchandise regardless of the port of entry. It serves to standardize treatment of similar transactions at all ports of entry. There were 6,600 differences in value and 6,900 differences in classification between ports. All were reconciled through the CIE, except for 0.05 percent which were submitted to headquarters for final decision. In cases of significant value changes, the CIE informs district directors at each port where like shipments have been entered of the value change. In fiscal 1971, there were 510 such reports distributed.

More than 2,000 catalogues, price lists and other value data of foreign manufacturers and shippers were received, reproduced, and disseminated to customs officers at ports known to have received importations of such or similar merchandise.

Drawback.—Work continued on the proposed amendments to the Customs Regulations which would eliminate from the drawback system a notice of exportation on a specified customs form. One of three procedures may be used to establish proof of export: (1) File a copy of an export document which has already been prepared for other purposes, such as a bill of lading; (2) at or before the time of export, submit a Customs certificate of registration which would be certified by Customs and subsequently filed with the drawback claim; (3) consolidate drawback claims and file them periodically (high volume exporters).

Public Law 91–692 (January 12, 1971) amended section 313 of the Tariff Act of 1930 to provide that upon the exportation of jet aircraft engines manufactured or produced abroad that have been overhauled, repaired, rebuilt, or reconditioned in the United States with the use of imported merchandise, the duties paid thereon shall be refunded.

The total drawback allowance paid during fiscal 1971 amounted to $40,619,226 as reflected in the Statistical Appendix. Drawback allowance on the exportation of merchandise manufactured from imported materials amounts to 99 percent of the customs duties paid at the time the goods are entered.

Entrance and clearance of vessels.—The following table compares entrances and clearances of vessels for fiscal years 1970 and 1971.

Vessel movements	1970	1971	Percentage increase or decrease (−)
Entrances:			
Direct from foreign ports	48,063	50,904	5.91
Via other domestic ports	41,293	38,819	−5.99
Total	89,356	89,723	.41
Clearances:			
Direct to foreign ports	47,693	47,949	.54
Via other domestic ports	41,732	36,851	−11.70
Total	89,425	84,800	5.17

Entries of merchandise.—The value of imports reached $42.7 billion in fiscal 1971 as compared to $38.2 in 1970, an increase of 11.7 percent. Volume and type of entries handled during the last 2 years are shown in the Statistical Appendix.

A total of 20 percent of all entries were free of duty.

Customs now has legislation before Congress that would provide for greater control and enforcement authority over imported cargo and the personnel handling such cargo. In addition, the Customs Regulations (Treasury Decisions 71–22 and 71–39) were amended to strengthen the Customs control and aid the antipilferage program.

The use of a small desk-type computer to liquidate customs entries increased markedly. For the period of July–December 1970, 56.75 percent of the liquidations completed in the regional offices were done with the use of the computer. The New Orleans region has maintained a 100 percent use of the equipment, and the national average for this semiannual period appears to be 60 percent or better.

An input control program brings together as a team, customs officers with inspectional, investigative and import specialization abilities on specially and randomly selected shipments to supplement the normal merchandise examination function.

For the last half of fiscal 1971 a total of 5,843 shipments were subjected to a 100 percent examination. Of the total shipments examined, 25 percent or 1,475 were found to contain discrepancies of one form or another. The discrepancies ranged from false declarations, deliberate undervaluation of merchandise and fraudulent quantities to improperly prepared invoices. In addition to the violations of statutory requirements detected, a potential loss of $423,911 in revenue was collected in the last half of the fiscal year alone, which might have been lost without this program.

With the cooperation of the Departments of State and Commerce, procedures were revised to maintain the effectiveness of the International Coffee Agreement during the interim period while authorizing legislation for continued U.S. participation was receiving congressional consideration. Increased checks of individual coffee importations and supporting documentation in cooperation with the International Coffee Organization have greatly reduced the possibility of coffee imports outside the terms of the agreement.

Fibers administration.—The purpose of this function is to determine the origin, identity, classification and quota status of raw wool, wool wastes, manmade fibers and wastes, cotton and cotton wastes, animal hairs and fur fibers. A total of 5,327 reports of wool importations were submitted and reviewed for uniform classification actions; 1,225 samples of various fibers were submitted for opinions. The Bureau continued to cooperate with the Office of Foreign Assets Control in determining the country of origin of various raw fibers.

Foreign trade zones.—Customs duties and internal revenue taxes collected during fiscal 1971 from the 10 zones in operation amounted to $8,786,895. The following table summarizes foreign trade zone operations during fiscal 1971.

Trade zone	Number of entries	Received in zone		Delivered from zone		Duties and internal revenue taxes collected
		Long tons	Value	Long tons	Value	
New York	2,917	18,836	$24,768,518	23,666	$22,923,753	$2,016,565
New Orleans	3,786	33,783	38,165,559	31,760	31,506,795	2,788,954
New Orleans (subzone)	4	57	10,169	3,506	456,157	1,579
San Francisco	1,031	3,740	6,624,118	3,361	6,012,543	351,497
San Francisco (subzone)	86	29	213,675	29	142,560	31,813
Seattle	171	912	2,616,995	619	1,942,244	257,181
Mayaguez	671	2,013	3,053,150	2,070	2,991,617	175,009
Penuelas (subzone)	24	324,692	6,406,899	198,705	10,295,841	
Toledo	127	35,337	14,085,644	29,601	15,671,007	1,987,508
Honolulu	8,179	4,774	8,816,455	4,086	7,477,300	1,176,789
Total	16,996	424,173	104,761,182	297,403	99,419,817	8,786,895

Laboratories.—The customs laboratories have responded to the high priority enforcement effort. New laboratory equipment plus newly devised techniques have resulted in more analyses with greater precision. Included in the new equipment are chemical test kits for analysis of suspected narcotic and drug samples in the field, film-safe X-ray apparatus and microfilm. Also, spectrometers and gas chromatographs were purchased and installed in various laboratories. Laboratory samples tested during fiscal 1971 increased by 18,358 to a record 197,018 samples.

Mail operations.—As part of a new redispatch scheme, ports on the west coast are now processing mail for all 50 States. Oakland, Calif., reports an increase in mail volume processed of more than 100 percent, while Seattle, Wash., reports an increase of over 200 percent. This program of processing mail parcels at the points of first arrival in the United States has resulted in substantial savings to the Postal Service by eliminating multiple handling and unnecessary transportation costs.

The Bureau and the Postal Service have cooperated closely to process the great influx of mail parcels from Southeast Asia which are subject to 100 percent examination. In some cases, postal employees have supplemented the customs work force in this activity. At the Port of New York Authority, 49,268,000 pieces of mail were set aside by the Postal Service for processing. Of that figure, 28 million pieces were segregated by Customs personnel and the balance by Postal Service personnel.

Penalties.—During fiscal 1971, the Bureau headquarters office received, reviewed, and prepared legal decisions in respect to violations of customs and related laws, and in respect to claims for liquidated damages assessed under customs bonds. A total of 824 cases involving $114,552,417 of liability, resulted in a net liability of $3,708,798 imposed by penalty decisions; $45,533 was paid to informers.

Penalty cases, fiscal year 1971

Type of case	Number	Full statutory liability of violators
Penalty and forfeiture	664	$110,376,929
Liquidated damages	160	4,175,488
Total	824	[1] 114,552,417

[1] Subject to some mitigation in appropriate cases by the Bureau or by the courts.

Net liability imposed by penalty decisions, 1970 and 1971

Type of case	1970	1971
Penalty and forfeiture	$3,561,863	$3,456,211
Liquidated damages	143,372	252,587
Total	3,705,235	3,708,798

Protests.—Public Law 91-271, the Customs Courts Act of 1970 and Customs Administrative Act of 1970, which became effective October 1, 1970, enlarged the scope of protests against customs decisions to permit administrative review of appraisements, and increased the maximum possible period of review of all protests from 90 days to 2 years, to afford greater opportunity for the resolution of contested customs decisions without resort to litigation. The time for filing a protest was expanded from 60 days to 90 days. The initial appraisement is now consolidated with all other customs decisions in processing of entries through liquidation. This eliminated the separate administrative and judicial review of such decisions which had previously delayed the final determination of duty liability pending final court review of the customs appraisement. In addition, the automatic referral of denied protests to the Customs Court has been eliminated. Importers who are dissatisfied with their administrative remedy are now required to initiate Customs Court review by filing a summons and paying a filing fee within 6 months following the denial of a protest and to follow the other formal litigation procedures that are appropriate to the judicial review of final administrative decisions.

The new legislation also affords an opportunity for Customs to reconsider a liquidation and its underlying administrative decisions on its own initiative within the 90-day period following the original liquidation and to correct administrative errors discovered in the course of such a reconsideration without the formal filing of a protest by the importer of record. The new legislation was also designed to encourage consolidation, under a single protest, of entries involving the same merchandise and legal issue for both purposes of administrative review and any subsequent judicial review of the issue.

Quotas.—During fiscal 1971, the Bureau of Customs administered a total of 138 tariff rate and absolute quotas imposed under specific Presidential proclamations and legislation; five quotas imposed under the Philippine Trade Agreement Act, and one quota imposed under the International Coffee Agreement Act, for a total of 144 quotas. In addition, 56 directives from the President's Cabinet Textile Advisory Committee resulted in the implementation and administration of 297 cotton textile quotas and five prohibitions of cotton textiles and cotton textile products manufactured or produced in 20 foreign countries.

New quotas imposed included: An absolute quota on crude oil, unfinished oils and finished products wholly of crude oil, produced in Mexico (Presidential Proclamation 3279, as modified by Presidential Proclamation 4025); 18 absolute quotas on cheese, chocolate, animal feeds and ice cream (Presidential Proclamation 4026); and various quotas, prohibitions and surveillances on meat as directed by the Secretary of Agriculture (authority delegated bv Executive Order 11539).

Regulations.—In conjunction with the general revision of the Customs Regulations, two parts were completed and became effective December 31, 1970, and 19 other parts are being evaluated, undergoing review, or are in various stages of preparation.

Four parts of the Regulations implementing the Customs Administrative Act of 1970, were completed and became effective October 1, 1970.

The Customs Convention on the International Transport of Goods Under Cover of TIR Carnets was fully implemented during the fiscal year. The final two steps were the issuance of required amendments to the Customs Regulations in T.D. 71–70, February 26, 1971, and the approval in T.D. 71–93, March 26, 1971, of Equipment Interchange Association, Washington, D.C., as the issuing and guaranteeing association for carnets under the TIR Convention.

Amendments were incorporated into the Customs Regulations to reflect adoption of regulations of the Bureau of Sport Fisheries and Wildlife promulgated under the Endangered Species Conservation Act of 1969.

Restricted merchandise.—There were recorded 152 trademarks, service marks, renewals, assignments and name changes, and 125 copyrights; 11 patent surveys or renewals were approved. A total of $48,620 of recordation and related fees was collected for these services.

The Bureau turned over to the Postal Service 108,000 pieces of lottery mail, and processed 130,000 articles suspected of being of an obscene nature.

Tariff Classification.—Further reduction of duties under the "Kennedy Round" of international tariff agreements was effected during fiscal 1971.

Vessel Movements.—To implement the Convention on Facilitation of International Maritime Traffic which was ratified by the United States, the Customs Regulations (19 CFR, Part 4) were amended to substitute four of the six standardized model forms developed by the Intergovernmental Maritime Consultative Organization for certain customs forms presently used in connection with the arrival and departure of vessels in foreign trade.

The Customs Regulations were amended to permit withholding of clearance if the District Director of Customs receives a request from an officer of the United States Coast Guard to withhold clearance because of a civil penalty for knowingly discharging oil into or upon the navigable waters of the United States.

Enforcement

During fiscal year 1971 additional emphasis was placed on the interdiction of illicit drugs. The Intensified Enforcement Anti-Smuggling Campaign, conducted from June through December, concentrated on areas previously given less thorough examination. The seizures made on precleared flights and in cargo and border crossing blitzes have made this program a continuing endeavor.

The detector dog program was implemented in the second quarter of fiscal 1971. At the end of the fiscal year, there were 19 handlers and 30 dogs permanently assigned to customs operations. Dogs have been effectively used in mail operations, docks, terminals, and ports of entry on the Mexican border. In a 9-month period, dogs have accounted for 564 narcotic seizures.

Major bulk heroin seizures were made from cargo, commercial and private aircraft, automobiles, and cargo shipments. Major bulk cocaine seizures were also made from cargo aircraft and cargo shipments. Many seizures of cocaine were made from couriers utilizing traditional body carries and false-bottom suitcases and traveling by diverse commercial air routes and by cargo vessels. In total, heroin and cocaine seizures amounted to 937 pounds of pure heroin, and 360 pounds of pure cocaine.

A search of a Navy aircraft carrier, the U.S.S. *Hancock*, conducted under the program to intensify the examination of military personnel, led to the discovery of 23 stashes of narcotics and the seizure of 460 bottles of undeclared liquor.

Air Security.—Immediately following the President's announcement of his program to combat aerial piracy, Customs earmarked 200 special agents for flying assignments as sky marshals and assigned another 200 inspectors to predeparture inspection duties at 26 gateway airports.

Within 33 days after the signing of a master agreement between the Departments of Treasury and Transportation, Customs had recruited, screened, and equipped the first class of 60 customs security officers for the Treasury Air Security Officer School which, during the fiscal year, graduated over 1,300 customs security officers from its Fort Belvoir facility.

Over 11,000 potentially lethal weapons have been detained from passengers for the duration of their flights or actually confiscated. There have been 229 arrests of which 54 involved narcotics violations. Skyjacking incidents have decreased from 40 during calendar year 1969, to 26 during calendar year 1970, to 13 during the first 6 months of 1971. There has been an increase of approximately 50 percent in the number of unsuccessful skyjacking attempts during 1971 as compared to 1970.

Arrests.—There were 7,810 arrests during the year, as compared with 7,340 in 1970. These arrests resulted in 2,275 convictions under U.S. statutes compared with 2,006 in the previous year.

Activity	Fiscal years		Percentage increase
	1970	1971	
Arrests	7,340	7,810	6.4
Prosecutions declined	686	878	28.0
Convictions under U.S. statutes	2,006	2,275	13.4
Dismissals and acquittals	511	896	75.3
Cases closed	32,040	37,995	18.6

Seizures of narcotics.—In fiscal 1971, Customs seized very large amounts of heroin, cocaine and marihuana. Details are shown in the following table.

Drug seizures	Fiscal years		Percentage increase or decrease (−) in amount seized
	1970	1971	
Narcotics:			
Heroin:			
Pounds	r 45.86	937.11	1,943
Number of seizures	203	503	148
Opium:			
Pounds	20.70	38.19	85
Number of seizures	42	141	236
Cocaine:			
Pounds	107.90	360.42	234
Number of seizures	88	176	100
Other:			
Pounds	39.12	47.82	22
Number of seizures	335	255	−24
Hallucinogens:			
Hashish:			
Pounds	3,122.22	3,162.76	1
Number of seizures	646	1,335	107
Marihuana:			
Pounds	104,305.43	177,388.44	70
Number of seizures	4,113	5,953	45
Dangerous drugs: [1]			
5-grain units	12,271,023	6,309,922	−49
Number of seizures	1,080	1,553	44

r Revised.
[1] Consisting principally of amphetamines and barbiturates.

Cost reduction/management improvement

During fiscal 1971 this program resulted in savings of $5,157,000. Of this amount $1,653,000 was cost reduction, $3,439,000 was cost avoidance, and $65,000 was savings to other agencies.

An example of how such savings are made is an interagency agreement with the General Services Administration to provide certain data processing equipment and services necessary for the operation of the Customs Automated Data Processing Intelligence Network (CADPIN). The arrangement will result in an estimated savings of $400,000 annually compared with a similar commercial contract.

A further example is the development of an automated system designed to match actual international aircraft flight information with data on the withdrawal of duty-free fuel from bonded storage. If it can be determined that an aircraft has made a flight not entitled to duty-free fuel, Customs will recover revenue.

Improved services to the public.—Containers for the disposal of contraband have been provided at some Mexican border ports. In addition, colorful signs in psychedelic letters warning of the penalties for smuggling have been posted.

Customs is complying with procedures implemented by the Bureau of Census which permit exporters to file shippers' export declarations directly with the exporting carrier without first going through authentication procedures. Customs performs its compliance function in conjunction with the filing of the outward manifest.

Under a program which allows certain alcohol, tobacco and firearms inspectors to be designated as acting customs inspectors, Customs is authorized to release bulk shipments of distilled spirits from Customs custody to Internal Revenue bond under the immediate delivery procedure at the importer's premises (distilled spirits plant). The service has resulted in decreased cost to the importer without diluting the quality of operation.

The Bureau has under development a single all-purpose entry form. This form, known as the Import Document, is a public-use form which has been designed to replace 18 customs entry forms that are presently in use. Two of the major benefits of the new form are (1) the ease with which it can be completed by the importing public regardless of the type of transaction and (2) the elimination of the confusion that exists with the processing of 18 different kinds of customs entry forms.

A syllabus containing a detailed study list was prepared to help applicants of the uniform customhouse brokers examination. During fiscal 1971, 240 applicants in 34 districts took the test; 94 were successful.

Planning and Research.—Field tests were conducted at the Los Angeles Mail Division to determine the correct balance of staffing allocations between revenue collection and enforcement functions. Based upon these tests, consideration is being given to a redefinition of Customs policies relative to revenue collection from the mail.

A study contract was let to develop systems concepts responsive to increased activities of the Customs quota system brought about by new trade legislation.

Tests began this year to measure the relative effectiveness of various inspectional procedures. The tests made statistical comparisons in the areas of seizure effectiveness, passenger processing times and attitudes toward the tested procedures.

An automated system has been designed that simplifies, and improves the submission of arrest and seizure reports. The system will provide the automated compilation and analysis of this data to provide a basis for cost/benefit analysis in enforcement. In addition, a data base for workload projections and resource allocations will be provided by a system manipulating the man-hours devoted to various investigative activities.

Reorganizations.—The New York Customs Region was reorganized to decentralize the region, making it similar to the other eight regions. This action completed the servicewide reorganization which began in 1965.

An Air Security Division was created to concern itself with the prevention of skyjacking of aircraft and related crimes.

The Office of the Assistant to the Commissioner (Security) and the Audit Division in the Office of Administration were combined into the Office of the Assistant to the Commissioner (Security and Audit). The new office is comprised of two divisions, the Security Division and the Audit Division. Field counterparts have been established as Regional Directors (Security and Audit) in New York, Miami, Houston, San Francisco, and Chicago.

The field organization of the Office of Investigations was reorganized into 20 domestic and two foreign districts reporting directly to the Bureau headquarters. These actions eliminated five regional organizations and provide for quicker field response to Bureau direction.

Ports of entry were opened at Phoenix, Ariz.; Little Rock-North Little Rock, Ark.; and Greenville-Spartanburg, S.C. Customs stations were designated at Seward, Cordova, and Valdez, Alaska. The customs station at St. Juste, Maine, was abolished. The port limits of Lawrence, Mass.; Chicago, Ill.; and Humacao, Puerto Rico, were extended to accommodate increased international traffic.

Security and audit.—The Bureau conducted 2,336 personnel investigations in this fiscal year which constitutes an increase of over 18 percent over fiscal 1970. The increase is due to recruiting for the new air security program and additional enforcement personnel.

Automatic data processing.—In fiscal year 1971, CADPIN was installed at additional ports on the Mexican border. Customs officers can now electronically tap a huge bank of information concerning suspect vehicles and persons attempting entry into the United States. Visible data units will eventually replace such devices as teletype machines.

A nationwide automated merchandise processing system is being developed which will link Customs ports of entry through computer terminals to a central data processing facility to assist in the control of cargo under Customs supervision and the processing of merchandise entries. Studies have been initiated leading to detailed design specifications for both national and regional systems.

Files for corporate surety for powers of attorney records were fully automated thus eliminating separate card files in each customs district. Automation of customs bonds, particularly blanket bonds covering operations at more than one port of entry and term bonds which cover transactions for either fixed or indeterminate periods, had been the subject of a Bureau study. Information would be available relative to cumulative obligations and charges made against bonds, thereby enabling Customs to make more precise judgments regarding the sufficiency of bonds.

One firm of customhouse brokers in Buffalo, N.Y., is now transmitting approximately 600 dutiable entries per day by telephone in magnetic tape form to the Customs data center at Silver Spring, Md. Key punching at the data center is eliminated and the edit and balance workload in the Bureau's accounting offices is reduced. The system lays the groundwork for significant improvements in data transmission and information exchange between brokers and the Bureau.

An automated nonexpendable property accounting system is being implemented.

A legal retrieval batch processing system was completed July 31, 1971. This changes the legal precedent system to eliminate large listings of keywords and references and to provide for direct inquiry to machine-stored files with only the pertinent references being printed. The system will be expanded by incorporating legal decisions and correspondence. A real-time inquiry capability will be added via terminal so that customs lawyers can have immediate access to hundreds of thousands of legal references to customs precedents and practices.

The Brussels nomenclature retrieval system became operational during fiscal 1971. This system provides a computer printout of the working documents published by the Brussels Nomenclature Committee of the Customs Cooperation Council and eliminates the manual search previously required to retrieve these documents. The printout publications are updated regularly and will eventually be transferred to computer tapes for inclusion in the legal retrieval batch processing system.

An automated control procedure for certain vessels (unmanned barges) and aircraft transporting residue cargo under a permit to proceed was implemented in fiscal 1971. The automated control will ensure that vessels and aircraft comply with entry and unlading requirements.

An automated protest inventory system has been established which keeps detailed records on the names of responsible customs lawyers, overdue notices, statistics by region and district, type of case, disposition, etc., on all importer protests coming into headquarters on value and classification determination.

Administration

Facilities Management.—The Bureau cooperated with the Department of Defense for the use of Fort Belvoir, Va., as a training site for 1,300 sky marshals. The General Services Administration renovated 24 buildings for use in the program.

As a result of the impending move into the World Trade Center in New York, Customs procured $650,000 worth of furniture. Additional space at Kennedy airport for the Area Director and his executive staff was obtained at a cost of $60,000 annually. Customs also cooperated with GSA on major border facilities at San Ysidro and Calexico.

Financial Management.—Through computerization, Customs was able to identify and concentrate on principals and their sureties who were habitually delinquent. A $4,500,000 reduction in delinquent receivables, which represents a 30-percent decrease over the last fiscal year, resulted.

Management analysis.—President Nixon directed the Federal Government to reduce the number and cost of unnecessary internal reports and to reduce the reporting burden placed on the general public. Customs exceeded its internal goals by 25 percent and met its goal to reduce the number of report preparations by the public. In addition, the forms management program abolished 15 forms and revised 63 forms.

Preliminary work has been done on a massive review of work activities for essentiality. A number of committees are now working to find better ways for Customs to complete its mission while releasing as much manpower as possible to combat smuggling activities.

During fiscal 1971, the Management Analysis Division undertook a number of organization studies, i.e., the creation of the Air Security Division in the Office of Investigations, the consolidation of internal inspection services and audit into the office of Assistant to the Commissioner (Security and Audit), and the creation of the Assistant to the Commissioner (Automated Merchandise Processing). The results of these studies are described elsewhere in this report.

Personnel Management.—New manpower allocations in the areas of investigations and air security placed tremendous recruiting requirements on Customs. In addition to the routine paperwork, two staff members were designated by the Department of State as temporary passport agents to expedite overseas preparations.

A labor relations training program began in fiscal 1971, directing its efforts toward greater flexibility in the labor management field. There will be increased communications between unions and management at the local level which should promote the resolution of mutual problems. A bimonthly publication, the LMR Bulletin, disseminates information and guidance to all levels of management.

Progress has been made in the effort to hire and promote female employees. In some locations, women are being employed as customs inspectors for the first time.

A regional equal employment opportunity officer has been hired at New York.

Cost of administration.—Customs operating expenses amounted to $191,460,267, including export control expenses and the cost of additional inspection reimbursed by the Department of Agriculture.

The following table shows man-years employment data in fiscal years 1970 and 1971.

Operation	Man-years 1970	Man-years 1971	Percentage increase or decrease (−)
Regular customs operations:			
Nonreimbursable	8,900	9,832	10.5
Reimbursable [1]	418	508	21.5
Total regular customs employment	9,318	10,340	11.0
Export Control	197	161	−18.3
Additional inspection for Department of Agriculture	277	276	−0.4
Air security program		630	
Total employment	9,792	11,407	16.5

[1] Salaries reimbursed to the Government by the private firms who received the exclusive services of these employees.

Foreign customs assistance

During fiscal 1971, the Bureau provided technical consultation and support to projects in Afghanistan, Costa Rica, Ethiopia and South Vietnam. These four teams consisted of 22 customs officials.

439-865 O—71——8

One of Customs major involvements abroad continues to be in the Republic of South Vietnam. The goal of the program is to control the importation of merchandise into that country and to render technical assistance to that government in the development of its customs administration. In addition, the Customs team has become more involved in the narcotics problem as it relates to the U.S. servicemen stationed in Vietnam.

During fiscal 1971, there were 119 foreign participants who received customs orientation. Their training involved many fields and included a wide range of administrative, operational, investigative and fiscal activities.

International affairs

Customs personnel continued their participation in the activities of the Customs Cooperation Council in Brussels, to which the United States formally acceded at the Council's Vienna meeting in the spring of 1971. Assistant Commissioner of Customs, Robert V. McIntyre, was designated U.S. representative to the Council.

In addition, Customs was represented in the Economic Commission for Europe in Geneva.

Public information

Following a White House conference for radio and television executives, a 2-hour pilot film "O'Hara—Treasury Agent" was produced and televised in April 1971. This production featured Customs and was the pilot run for a series of 1-hour shows featuring Treasury agents.

Articles covering customs activities have received wide coverage throughout the country through publications such as Newsweek, Saturday Review, Aviation Week, National Geographic, U.S. News and World Report and others.

Office of Director of Practice

The Office of Director of Practice is a part of the Office of the Secretary of the Treasury and is under the immediate supervision of the General Counsel. Pursuant to the provisions in Treasury Department Circular No. 230 (31 CFR, Pt. 10), the Director of Practice institutes and provides for the conduct of disciplinary proceedings against attorneys, certified public accountants, and enrolled agents who are alleged to have engaged in disreputable conduct or who are alleged to have violated the rules and regulations regarding practice before the Internal Revenue Service. The Director of Practice also exercises jurisdiction, as the first level of administrative appeal, in those cases where the Commissioner of Internal Revenue denies an application for enrollment to practice before the Internal Revenue Service made by persons seeking enrollment pursuant to Section 10.4 of Circular 230.

On July 1, 1970, there were 78 derogatory information cases pending in the Office under active review and evaluation, two of which were awaiting presentation or decision before a hearing examiner. During the fiscal year, 114 cases were added to the case load of the Office. Disciplinary action was taken in 44 cases, either by the Office or by order of a hearing examiner. These 44 actions consisted of two orders of disbarment, 21 suspensions (either by order of the examiner or by consent of the practitioner), 20 reprimands, and one instance where an enrolled agent was permitted to terminate by resignation his enrollment to practice before the Internal Revenue Service. The 44 actions affected 12 attorneys, 19 certified public accountants and 13 enrolled agents.

Nine proceedings for disbarment or suspension were initiated before a hearing examiner during fiscal 1971. Therefore, including the two cases remaining on the examiner's docket on July 1, 1970, there were 11 cases before the examiner during fiscal 1971. In one case, the complaint which initiated the proceeding was withdrawn after stipulation settlement was reached whereby the respondent consented to a suspension from further practice before the Internal Revenue Service. Decisions by the examiner were rendered in four of the cases. In two cases, one involving an attorney and one involving a certified public accountant, the examiner's initial orders were that the respondents be disbarred from further practice before the Service. In the remaining two cases, the examiner issued initial orders for suspension from practice before the Internal Revenue Service. As of June 30, 1971, three cases were pending on the examiner's docket awaiting decision and three cases were pending awaiting presentation.

Sixty-one cases were removed from the Office case load during fiscal 1971 after review and evaluation showed that the allegations of misconduct did not state sufficient grounds to maintain disciplinary proceedings under the regulations of Circular 230. Including the six cases pending on the examiner's docket, there were 84 derogatory information cases under consideration in the Office as of June 30, 1971.

At the close of the prior fiscal year, two applicant appeals from decisions of the Commissioner of Internal Revenue denying applications for enrollment to practice before the Internal Revenue Service were pending in the Office of Director of Practice. During fiscal 1971, one additional applicant appeal was filed with the Director of Practice. Such appeals are filed pursuant to Section 10.5(d)(1) of Circular 230. In each instance the denial of the application for enrollment by the Commissioner of Internal Revenue was sustained. Pursuant to Section 10.5(d)(2) of Circular 230, one applicant appealed the denial of enrollment to the Secretary, who affirmed the denial.

During fiscal 1971 amendments to various sections of Treasury Department Circular No. 230 (31 CFR, Pt. 10) were promulgated, effective September 18, 1970. The amendments which appeared in 35 F.R. 13205 dated August 19, 1970, were intended primarily to clarify the language of certain provisions of the regulations, strengthen certain conflict of interest and disciplinary provisions, and update statutory references.

Office of Domestic Gold and Silver Operations

The Office of Domestic Gold and Silver Operations, in the Office of the Under Secretary for Monetary Affairs, assists the Under Secretary and the Assistant Secretary (Economic Policy) in the formulation, execution, and coordination of policies and programs relating to gold and silver in both their monetary and commercial aspects. The

Office administers the Department of the Treasury gold regulations relating to the purchase, sale, and control of industrial gold and gold coin; issues licenses and other authorization for the use, import and export of gold and for the importation and exportation of gold coin; receives and examines reports of operations; and investigates and supervises the activities of users of gold. Investigations into possible violations of the gold regulations are coordinated with the U.S. Secret Service, the Bureau of Customs, and other enforcement agencies.

Gold

Use of gold for industrial purposes.—Sales of gold by the Treasury for industrial use and purchases from the private market were terminated on March 18, 1968. Since that date, gold used in industry, profession and art in the United States has come from new domestic production and from imports. Total purchases of gold by U.S. industry in 1970 declined by over 1 million ounces from 1969. The decline in purchases was due both to reduced production of gold products and to a large drop in gold inventories. Estimated industrial use of gold in the United States during the calendar year was 5,973,000 ounces in 1970 as compared with 7,109,000 ounces in 1969. Of this amount, 4,030,000 fine troy ounces were imported in 1970 for commercial use and the other 1,943,000 ounces came from U.S. mine production. The estimated total purchases of gold and allocation of purchases by industry group for the years 1965–1970 are shown in the following table.

Estimated industrial use of gold in the United States calendar years 1965–1970

[Thousands of Fine Troy Ounces]

	1965	1966	1967	1968	1969	1970
Estimated total purchases of gold by U.S. industry	5, 276	6, 062	6, 294	6, 604	7, 109	5, 973
Converted into fabricated products	4, 949	5, 984	5, 942	6, 073	6, 568	6, 148
Increase in inventories	327	78	352	531	541	−175
Allocation of purchases by industry group	5, 276	6, 062	6, 294	6, 604	7, 109	5, 973
Jewelry and arts	3, 429	3, 758	3, 840	3, 908	3, 839	3, 340
Dental	369	424	566	771	710	658
Industrial, including space and defense	1, 478	1, 880	1, 888	1, 925	2, 560	1, 975

Manufacture and sale of gold medals.—On April 23, 1971, the regulations were amended to authorize the issuance of licenses permitting foreign subsidiaries of U.S. corporations to manufacture gold medals for sale to foreigners. The purpose of the amendment was to assure a fair competitive position for U.S. firms in the market in which they operate.

Gold coins.—Licenses are required to import gold coins minted during or after 1934. Licenses are issued only for coins of recognized special value to collectors of rare and unusual coin. Gold coins minted after January 1, 1960, may not be imported unless the particular coin had been licensed for importation prior to April 30, 1969. The number of gold coins licensed by the Treasury was 193 in the calendar year 1970 as compared with 3,893 gold coins licensed in calendar year 1969. During the first half of 1971, 29 gold coins were licensed. The decrease from the 1969 figure reflects in part the elimination in 1969 of the requirement that licenses be obtained for pre-1934 coins.

Licensing of gold dealers.—The Office continued licensing banks and commodity firms to acquire and import gold for sale to domestic industrial users with 17 such licenses outstanding at the end of the fiscal year.

Silver

Sales of Treasury silver through the General Services Administration on a competitive sealed bid basis terminated November 10, 1970. Since the sales program began on August 4, 1967, the Treasury sold 304.6 million ounces of silver. The profit to the U.S. Government from these sales was $147.9 million. This ended the Government intervention in the silver market which began in 1933.

Bureau of Engraving and Printing

The Bureau of Engraving and Printing is responsible for manufacturing U.S. paper currency, various public debt instruments, and most other evidences of a financial character issued by the Government, such as postage and internal revenue stamps, food coupons, and military payment certificates. In addition, the Bureau prints commissions, certificates of awards, permits, and a wide variety of other miscellaneous items. The Bureau also executes certain printings for various territories administered by the United States.

The Bureau conducts extensive research and development programs for improving the quality of its products, reducing manufacturing costs, and strengthening deterrents to the counterfeiting of Government securities. It manufactures ink and gum used for its products; purchases materials, supplies, and equipment; provides maintenance services for its buildings, plant machinery, and equipment; and stores and delivers its products in accordance with requirements of customer agencies.

Finances

The enactment of Public Law 656, 81st Congress, approved August 4, 1950, established a revolving-fund method of financing the operations of the Bureau. One of the provisions of the legislation placed all operations on a completely reimbursable basis for work or services performed. The legislation also established the Bureau of Engraving and Printing Fund. This fund, which became effective on July 1, 1951, was capitalized on the basis of (a) all assets and liabilities on hand as of the close of business June 30, 1951, and (b) an initial appropriation by the Congress of $3,250,000 as working cash to meet payrolls and to pay bills for materials, services, etc., until such times as reimbursement would be received for products manufactured and sold to customer agencies.

In recent years the working capital appropriated by the Congress in 1951 has been increasingly inadequate to meet the Bureau's need for cash to finance current operations. Fundamentally, increased customer product requirements and steadily rising costs for the labor, materials, etc., to meet these requirements have increased the average monthly operating expenditures during the current fiscal year to $4,500,000, well beyond the level which can reasonably be financed from the original working capital established on the basis of significantly lower workloads and costs existing at that time.

The continued deterioration of the Bureau's cash position during the last few years in meeting spiraling operating costs has led to requests for additional appropriations for this specific purpose. However, it was the Department's view that alternate measures could be implemented, such as advances from customer agencies for work completed but not yet delivered, to maintain "liquidity" in the Bureau's cash position.

Accordingly, arrangements were made with the Department of Agriculture to make monthly advances of funds against deliveries of food coupons. In addition, arrangements were made to bill the Federal Reserve Board twice monthly for currency deliveries in order to increase the Bureau's cash flow. However, while these actions partially alleviate the tight money situation associated with financing current operations, the diminishing flexibility available to the Bureau in its utilization of the revolving fund hinders the very purpose for which that fund was created.

In addition, the limited funds which are available through depreciation of equipment (approximately $1,500,000 annually) for the orderly pursuit of an effective fixed asset acquisition program seriously inhibit the Bureau's ability to maintain its productive capacity at a rate consistent with the growth of work programs. That situation also precludes the advancements the Bureau should be making in further sophistication of its operations. Moreover, funds should be available for the acquisition of special equipment to mechanize some of the more costly manual processing operations. For example, the acquisition of a full complement of combination currency overprinting and processing machines would have the potential of reducing manufacturing costs by over $2 million annually through mechanization of certain of the finishing operations associated with the production of currency.

An in-depth analysis of immediate and predictable equipment needs culminated in the initiation of a program covering fiscal years 1972 through 1974 for the accelerated acquisition of the most modern replacement and supplemental equipment. An estimated $17 million will be required over the 3-year span to fully implement this plan. Obviously, the cost of this specialized machinery and equipment will substantially exceed the funds which will be available to the Bureau through annual recoveries of depreciation based on the capitalized value of its present equipment. This is the product of price inflation and the increase in real costs over the years of the more technologically sophisticated machines. Accordingly, the Bureau's budget submission for fiscal 1972 included a request for an appropriation of $3 million to initiate this broad modernization program. At yearend this amount had been included in the Treasury, Postal Service, and general Government appropriation bill for fiscal 1972.

Comparative financial statements for fiscal years 1970 and 1971 appear in the Statistical Appendix.

Currency program

Total deliveries of currency notes in fiscal 1971 amounted to approximately 2.9 billion notes as compared to 2.5 billion notes in fiscal 1970. Despite a continuing rise in the cost of labor and materials, this year's unit cost of manufacturing currency was reduced to an alltime low of $7.69 per thousand notes.

In order to meet the increasing demand for currency (estimated requirement for fiscal 1977 is 3.8 billion notes) the Bureau is constantly planning and implementing programs for the modernization of its currency manufacturing operations and facilities. Near-future planning has been particularly focused on the replacement of those presses which are now fully depreciated and technologically obsolete. To this end, installation and acceptance of two modern sheet-fed rotary presses was completed in 1971. The productivity of these high-speed presses is approximately three times greater than that of the existing models which were obtained in 1957. However, these new presses will enable the Bureau to meet the identified currency requirements only through fiscal 1972.

Another area given priority attention has been the currency finishing operations. Just prior to the end of the year, the prototype currency overprinting and processing equipment (COPE), based on a Bureau concept and customed designed to Bureau specifications, was received and installed. Production models of this equipment will supplant most of present manual currency-finishing operations.

Studies of these finishing operations led to the installation of an interim improvement, pending the acquisition of COPE. This improvement, called the "perfect package program," was a major factor in achieving the new low in the unit cost of currency.

Postage stamp program

Deliveries of U.S. postage stamps rose to 32.9 billion pieces in fiscal 1971 as opposed to 26.2 billion in 1970. The major portion of this increase was due to the 1971 postal rate change.

The Bureau completed acceptance trials on a new seven-unit rotogravure web press in December 1970 which will be used to print aerogrammes as well as to further accommodate the growing demand for multicolor postage stamps.

This year's postal rate increase necessitated abnormally heavy production in order to meet the initial demand for stamps of the new denominations. At the same time, during the 3 months prior to this year's increase, two commemorative stamps were also produced. In addition, the requirements of other programs, which are carried on by the same components involved in the production of postage stamps, such as food coupons, increased considerably.

Future planning to meet the increased demands for stamps, includes the acquisition of a combination rotogravure line-intaglio web press which would introduce a new dimension in the Bureau's production of multicolor issues.

New issues of postage stamps delivered in fiscal 1971 are shown in the Statistical Appendix.

Food coupon program

As food coupons are used in a growing number of areas, the delivery requirements have increased accordingly. Approximately two billion coupons were delivered during fiscal 1971 as opposed to 964 million in 1970. By 1974 our delivery requirement is expected to be 2.7 billion coupons.

Based on a Bureau proposal to meet these rapidly increasing requirements for coupons, the Department of Agriculture introduced a new $5 denomination in 1970. This addition to the two denominations already in use (50 cents and $2) enabled the Bureau to produce the total value program of 1971 requirements at a considerable savings since 400 million less coupons were required than were originally anticipated.

As an interim measure for meeting the increasing demand, the Bureau has acquired two relatively simple "shelf" model collating machines to mechanize some of the manual operations for processing coupons into booklet form. The addition of the $5 denomination together with the acquisition of these collating machines reduced production costs of coupons during fiscal 1971 by approximately $1.4 million.

Extensive investigative work is being continued leading toward the design of a specialized roll-fed automatic bookmaking machine in the interest of avoiding further significant increases in manpower and space to meet projected future production requirements for this class of work.

Improved service to the public

Throughout the year, the Bureau conducted an active program designed to improve communications with and services to the public and, at the same time, to advance the Bureau's goal for increased public awareness of the security characteristics of genuine currency. In fiscal 1971, the Bureau furnished exhibit materials for 56 numismatic or philatelic events. In some instances, Bureau participation included live demonstrations of the techniques of the intaglio process used in the production of currency, postage stamps, and other securities. Special programs were geared to school children attending these events. Public response has been most enthusiastic.

In addition, the Bureau produced four distinctive souvenir cards in complement to the following major philatelic and numismatic exhibitions in fiscal 1971: The Hawaii Philatelic Society Exhibition, in Honolulu; the 13th International Stamp Exhibition, in New York; the Association for Western Philatelic Exhibitions, Inc., in San Francisco; and the National Philatelic Exhibition, in Washington, D.C. Production of the souvenir items not only responded to longstanding recommendations of philatelists and numismatists, but also significantly defrayed the cost of our meeting increased requests for Bureau exhibits.

During this fiscal year, 696,112 visitors took the self-guided tour through the Bureau. Other tours, geared to technical needs and other particular interests, were conducted on an individual basis for special visitors, such as agents of the U.S. Secret Service, representatives of foreign governments, domestic and foreign firms in the printing industry, and news media personnel.

Security

The Bureau has completed the initial installation of a closed-circuit television system which will be progressively extended to cover all critical areas where security products are processed. Development work is underway on a new employee pass-badge system. Methods of safeguarding products through the various manufacturing stages are being reviewed and changes implemented where necessary to improve security and localize areas of responsibility. Plans have been developed also to lessen the vulnerability of guard personnel at critical vault and entrance points by the use of remote controls by guards located within bulletproof enclosures.

Internal audit

In the interest of maintaining efficient, economic operations and review for possible improvements, the Bureau continued to conduct intensive, announced and unannounced audits, providing for both fiscal auditing and auditing of operations. During fiscal year 1971, 32 reports of audit, containing 172 recommendations for improvements, were released for management consideration and action.

Labor-management relations

It has been a longstanding policy of the Bureau to foster constructive and harmonious relationships with its employees and labor organizations representing them. Special emphasis and attention has been directed toward the conduct of all labor-management dealings within the spirit and intent of Executive Order 11491 of October 29, 1969. At the close of the fiscal year, there existed within the Bureau grants of exclusive recognition to 15 AFL–CIO affiliate unions covering 25 craft units, one noncraft unit, and one guard unit. Further, there are eight approved substantive labor-management agreements. The unions function as a dynamic part of the Bureau and are a major factor in management considerations.

Training program

In various training activities during the year, 947 employees completed Bureau or Departmental training courses; 92 employees completed interagency training courses; and 169 employees attended specialized seminars, training classes, conferences, and exhibits sponsored by non-Government organizations. Training has been supplied at all levels and in most occupations, to meet the needs at different stages of employment. The training courses have included on-the-job and refresher training for current needs, developmental training in anticipation of future needs, training to develop unavailable skills, and training to develop underutilized and disadvantaged employees.

Safety program

The emphasis placed on safety and the many innovations instituted to strengthen the program resulted in the Bureau receiving the Secretary's annual award for outstanding safety improvement in October of 1970.

Employee safety continues to be an area of vital concern to the Bureau. Concentrated effort was expended to make working conditions within the Bureau as safe as possible. In addition, supervisors and safety personnel continued to promote safety awareness among all Bureau employees. In this regard, on June 15 and 17, 1971, the Director presented safety certificates to the employees of eight Bureau components in recognition of their achievement of 2 full years without a disabling injury.

Savings from cost reduction and management improvement efforts

The Bureau's objective is to maximize effectiveness in the timely and economical production of its products through optimum utilization of manpower, equipment, and other resources. Estimated savings from all cost reduction projects during fiscal 1971 are approximately $2.4 million. All savings realized are passed on to customer agencies through reduced billing rates. Noteworthy savings in fiscal 1971 include the following: $1,236,000—by producing a higher denomination food coupon thereby decreasing the number of coupons necessary to achieve a given face value; and $766,000—through reduction of the amount of manual processing necessary on "perfect" notes.

Awards program

During fiscal 1971, 733 employees received special achievement awards and 40 received high quality pay increases.

Nonrecurring savings of $114,310, were realized in fiscal 1971 from the superior work performance phase of the incentive awards program. Under the employee suggestions phase of the program, 233 suggestions were received and 105 adopted from which it is estimated that the Bureau will realize annual recurring savings of $58,782.

At the Department of the Treasury's seventh annual awards ceremony, held on October 9, 1970, the Bureau again received the Secretary's annual award for outstanding accomplishment in the performance award phase of the incentive awards program.

Certificates of appreciation were presented to 37 Bureau employees in recognition of the superior performance they displayed in connection with their special assignment at Guilford Gravure, Inc., Guilford, Conn., where the 1970 antipollution stamp and the two 1970 Christmas stamps were produced.

Equal employment opportunity

During the year the Director, managers, and supervisors continued their full support of the EEO program. The precomplaint counseling program continued to be successful and establish a climate of acceptance designed to preclude or reduce complaints. No formal complaints of discrimination were filed during the year. One complaint filed in 1969 was finally resolved with a recent decision by the Civil Service Commission Board of Appeals and Review. The Bureau and Treasury's findings of no discrimination were sustained. The assignment of additional clerical assistance and the addition of another full-time EEO counselor will further increase program effectiveness.

Minorities and females continued to show progress in apprentice, craft, supervisory and higher grade General Schedule positions. Of several hundred promotion actions in noncraft, nonsupervisory, and supervisory positions, the vast majority were to minorities and females.

The employee committees for EEO continued to meet regularly each month. Attendance and participation of the Director, Deputy Director, and other managers enhanced the program's credibility. Favorable comment was reflected by members in their annual evaluation of the committees' activities.

Employee convention days

In February 1971, an innovative seminar-type information exchange program was initiated for all employees. In a communication workshop environment, approximately 200 employees per one daylong session, broken down into discussion groups of 10, were provided the opportunity to openly discuss their feelings regarding current Bureau policies and practices. In order to accommodate the more than 3,000 employees who chose to participate, completion of this project required programming the sessions 1 day per week for a period extending over 4 months.

The program was structured on the theme expressed by James Baldwin's "Not everything that is faced can be changed, but nothing can be changed until it is faced." Each session was concluded with the personal response of the Director of the Bureau to the consensus of observations and questions raised by each group during its discussions. The results achieved through such person-to-person contact between employees and management well warranted the expenditure of time and effort devoted to this program.

New employee orientation program

During the past 2 years the Bureau has hired approximately 900 new employees; under the then existing orientation procedures these employees were limited in their opportunity to know the Bureau, its aims and goals, or to evaluate objectively the Bureau's efforts in employee relations. In the absence of such information, the influx of an increasing ratio of new employees could ultimately have a deleterious impact on the effectiveness of Bureau employee-related efforts. On August 24, 1970, a new employee orientation program was inaugurated, designed to provide incoming personnel with in-depth, meaningful information about the Bureau, including a tour exposure and small group individualized counsel orientation with planned periodic followup discussions for progress evaluation. Some 480 new hirees participated in this program during fiscal 1971.

Deliveries of finished work

A comparative statement of deliveries of finished work appears in the Statistical Appendix.

Office of Equal Opportunity Program

The Office of Equal Opportunity Program is a part of the Office of the Secretary and is under the immediate supervision of the General Counsel. It assists the Under Secretary and General Counsel in the formulation, execution and coordination of policies related to equal opportunity for its own employees (implementing Executive Order 11478 governing equal employment in the Federal Government) and as related to employment policies and programs of banks, savings and loan associations, savings banks and other financial institutions who are Federal depositaries or issuing and paying agents of U.S.

savings bonds and savings notes (implementing Executive Order 11246 and Treasury regulations governing equal employment for Government contractors).

Federal employment

The Office guides and oversees the implementation of the Department's equal employment program and action plan by all of the bureaus; provides consultative services on equal opportunity matters; reviews and approves activities; programs action plans promulgated by each bureau; and reviews and adjudicates the investigation of complaints alleging discrimination because of race, color, religion, sex or national origin. The Office provides guidance to Treasury officials and all its field activities on "upward mobility" and personnel management evaluations concerning the employment and utilization of minority group persons and women.

Financial institutions

The Office has the responsibility to administer the requirements of Executive Order 11246 as they apply to Federal depositary banks and financial agents who act as issuing and paying agents of U.S. savings bonds and savings notes. The Executive Order and Treasury regulations specifically establish the policy of Government and Treasury to require equal employment opportunity practices by Government contractors (and this includes banks, savings and loan associations and savings banks) with respect to hiring, promoting, training and other personnel activities.

Two hundred and fifty compliance reviews have been conducted at banks this year. These include examining the banks' personnel policies and programs, negotiating agreements for affirmative action programs, and providing technical assistance to assure compliance with Treasury requirements. Guidelines on affirmative action have been issued to financial institutions to assure accurate understanding of Treasury expectations and to assist them in achieving meaningful result-getting equal employment programs. These guidelines have been widely distributed by the various trade associations (American Bankers Association, U.S. Savings and Loan League, National Association of Mutual Savings Banks) and have been analyzed, highly commended and distributed by numerous trade and management publications, e.g., Prentice Hall, Bank Wage & Hour Reports, Commerce Clearing House, and Banking Magazine.

The Office has developed a self-analysis guide for banks to help them determine a practical working approach to problems of ending discrimination and complying with the obligations of the Department and the Executive Order. Treasury's Equal Employment staff has met with and addressed over 12,000 bankers during the past year to explain the requirements and offer guidance regarding the program.

In an attempt to assure technical compliance with Treasury requirements for the filing of timely employment statistical information and having on file at banks a written affirmative action plan, representatives of the Office of the Comptroller, Federal Reserve banks and the Federal Deposit Insurance Corporation check on these matters and cooperate with the Department to assure such compliance. This cooperative endeavor has been most effective and has been highly commended by industry and Government officials.

Treasury has been impressed with the exceptional cooperation and eagerness of the industry to comply with Treasury regulations and to effect result-getting equal employment programs. Minority employment at banks, savings and loan associations, and savings banks has increased significantly as a result of Treasury's program and surveillance. There has been excellent Treasury Department-industry cooperation, and commendations have been received from the White House, Department of Labor, trade associations, community organizations and the media for the innovative but meaningful and result-getting program of the Department.

Fiscal Service

BUREAU OF ACCOUNTS

The functions of the Bureau are Government-wide in scope. They include central accounting and financial reporting relating to the Government as a whole; disbursing for virtually all civilian agencies; supervising the Government's depositary system; determining qualifications of insurance companies to do surety business with Government agencies; a variety of fiscal activities, such as investment of trust funds, agency borrowings from the Treasury, international claims and indebtedness, and liquidation of the Postal Savings System; and Treasury staff representation in the joint financial management improvement program.

Management improvement

Under the cost reduction and management improvement program, savings of $377,000 were realized during fiscal 1971 attributable to further improvements in technology and systems, realinement of organization and staffing, and the fruits of continuing programs for the development of people in management skills at all levels.

Personnel

Under the Bureau's career development program and through participation in the middle management program, increased emphasis was placed on training at all levels with particular focus on young entrance level careerists for purposes of developing and utilizing their maximum potential. Together with other employees, they are being developed in the field of management principles and practices, in supervisory and special occupational skills, such as banking, accounting, EDP programing and operations, budgeting, and purchasing.

Staffing efforts have realized 11 new career development trainees with an anticipated goal of 20 in fiscal 1972. With respect to manpower utilization, proposed actions are being developed under the Program for Progress "upward mobility," and the programs for Spanish surnamed and women in the Federal service. The programs for Federal summer interns, summer aids, summer examination employees, and back-to-school employees are of particular interest to the Bureau.

Executive Order 11491, Labor-Management Relations in the Federal Service, has had impact during fiscal 1971. Exclusive recognition has been afforded the American Federation of Government Employees in the Washington and Birmingham Disbursing Centers.

Systems improvement

Bureau staff continued to represent the Treasury on the steering committee and study teams of the joint financial management improvement program. Continued attention was given to implementing the recommendations of the President's Commission on Budget Concepts.

Under the joint financial management improvement program a study was completed to determine those agencies and payroll offices which are not included in a computerized payroll accounting operation and which are not planning to obtain the service from another agency. These offices were advised that computerized payroll accounting services are available from several sources in the U.S. Government. Also, the Bureau staff is representing the Treasury in another study, begun during the year, of a proposal for a centralized computer payroll system. The objectives of the study encompass: (1) The practicability of a single computerized payroll system for all civilian employees, (2) organizational issues underlying its development, and (3) a method of implementing the system.

Bureau staff participated in joint efforts to implement Title II of the Legislative Reorganization Act of 1970.[1] The requirements placed on the Secretary of the Treasury and the Director of the Office of Management and Budget are intended to fulfill the needs of both the legislative and executive branches for a centralized information and data processing system for budgetary and fiscal data.

Procedural requirements were prescribed for Government agencies concerning: (1) Responsibility to develop, refine, test, and record accrual data in agency accounts for reporting revenues and expenditures to the Treasury for use in the conversion of the budget to an accrual basis; (2) allotments of pay of employees which are for credit to savings accounts in financial organizations; (3) disposition of Treasury checks which have been held by disbursing officers beyond maximum prescribed time limits; (4) withholding of State income tax from employees' wages; (5) special reporting relating to Federal income taxes withheld from salaries of Federal employees employed in Guam; and (6) revocation of the authority of the Secretary of the Treasury to exempt Federal agencies from payment of certain taxes on the transportation of persons by air.

Implementation of procedures for the issuance of composite salary checks continues to receive the highest priority. A composite salary check issued to a financial organization to pay a number of personnel who have elected to be paid by credit to their accounts in that financial organization produces economies through the avoidance of individual checks, minimizes opportunities for forgery, guarantees timely payment, and provides optimum service to personnel. At yearend, such procedures were established in 20 separate payroll offices of eight agencies in the Treasury disbursing area, and arrangements were underway for the establishment of such procedures in 45 payroll offices of 20 agencies.

[1] See "Government-wide Financial Management", p. 8.

Central accounting and reporting

Various improvements were made in Government-wide financial reports during the year. Beginning with the final June 1970 report, a new table, "Trust Fund Receipts, Outlays, and Investments Held" was published in the Monthly Statement of Receipts and Expenditures (MTS). In the November 1970 MTS, preliminary balances of loans outstanding were included in the Loan Account for the first time. Final figures are published quarterly in the Treasury Bulletin.

Efforts continued to improve internal operations relating to the monthly accrual reporting system. One major product of these efforts was an expenditure and receipt account trial balance. This summary report, provided to agencies beginning in August 1970, expedited the review and reconciliation of monthly accrual reports.

During the year, Bureau staff continued to represent the Treasury in joint efforts with the Office of Management and Budget and the General Accounting Office toward Government-wide implementation of the accrual basis and conversion of the President's budget and related Treasury reports.

In July 1970, the Bureau issued Transmittal Letter No. 49 to the Treasury Fiscal Requirements Manual. This letter modified requirements for the preparation of accrual reports consistent with the requirements of Office of Management and Budget Circular No. A–11 and plans previously announced to convert the fiscal 1972 budget to a "modified accrual basis." Subsequently, however, the matter was reexamined and in September 1970, Office of Management and Budget announced a postponement in the planned conversion to the accrual basis. In December 1970, the Bureau issued Treasury Fiscal Requirements Manual Transmittal Letter No. 54 to restore the previously prescribed requirements for accrual reporting.

While staff of the other central agencies studied the problems of constructive delivery and grant accruals, Treasury staff devoted its primary attention to the problems of matching interagency receivables and payables and accruing corporate income taxes. On the former, a proposed billing/payment technique was developed for intragovernmental transactions between the General Services Administration and the Department of Defense, with ultimate potential for other agencies. Similar procedures are being developed for Government Printing Office billings to other Government agencies. Bureau staff also worked with the Office of Tax Analysis, the Internal Revenue Service, the Department of Commerce (Office of Business Economics), and the Federal Trade Commission to find an acceptable technique for developing corporate income tax accruals statistically. Monthly reporting of limited data from selected corporate taxpayers is being considered; and efforts are underway to develop a technique for validation of statistical estimates. A special study conducted by the Office of Business Economics for the Treasury should be completed in July 1971.

Auditing

During fiscal 1971, the audit staff conducted 14 audits of varying scope, including one management audit, in carrying out its review of Bureau activities. In addition, management surveys were performed in four regional offices.

Also completed was the annual examination of the financial statements and related supporting data of surety companies holding Certificates of Authority as acceptable sureties on bonds running in favor of the United States (6 U.S.C. 8). Certificates are renewable each July 1 and a list of approved companies (Department Circular 570, revised) is published annually in the Federal Register for the information of Federal bond-approving officers and persons required to give bonds to the United States. As of June 30, 1971, a total of 265 companies held certificates.

General coordination and staff assistance were also furnished for the annual audit of the Exchange Stabilization Fund.

Disbursing operations

During fiscal 1971, the Division of Disbursement operated 12 disbursing centers, servicing over 1,300 offices of agencies located throughout the United States, and the Philippines, and rendered disbursing services for embassies located in certain foreign countries in Central and South America and in the Far East. In addition, it performed automated payroll accounting service on a reimbursable basis for certain small agencies.

The Division of Disbursement produced over a half billion checks and savings bonds through its disbursing offices and punched and printed approximately 85 million Federal tax deposit forms in fiscal 1971. The average unit cost for checks and bonds was $0.0293.

Some of the noteworthy achievements in disbursing during the year are the following:

1. Consolidation of the payment operations of the New York Regional Disbursing Office with those of the Philadelphia Disbursing Center resulted in estimated annual savings of $189,000 and 16 man-years.

2. Computerization of additional workloads effected savings of $75,000.

3. Procurement of third party computer maintenance service will save $68,000 in annual maintenance costs.

4. Installation of an automatic microfilm retrieval system for processing check claims will yield annual savings of 12 man-years and $70,000.

5. A new concept in check enclosing was developed, whereby a mechanical check-wrapping system will enclose checks in envelopes at a speed of 30,000 checks per hour. A contract was let for a prototype machine. Recurring annual savings of $550,000 are projected.

6. The Division of Disbursement as a service to the Bureau of the Mint, will maintain a magnetic tape file of all persons who order Eisenhower dollars. The file will be used to prepare acknowledgment cards, mailing labels, registry forms, reports, and other information related to the program. Planning has begun for performing similar service for General Services Administration in connection with the Carson City dollar program.

7. This year, over 23 million retroactive Social Security Administration payments were issued in addition to the regular monthly payments.

8. Management and technical improvements permitted the absorption of virtually all of the workload increase with existing personnel.

There follows a comparison of the workloads for fiscal 1970 and 1971.

Classification	Volume	
	1970	1971
Operations financed by appropriated funds:		
Checks:		
Social security benefits	290,331,722	303,275,542
Veterans benefits	71,387,254	76,435,033
Income tax refunds	55,691,879	56,110,349
Veterans national service life insurance dividends program	3,918,918	3,958,669
Other	54,496,995	56,623,973
Savings bonds	7,294,301	7,057,044
Adjustments and transfers	271,482	285,348
	483,392,551	503,745,958
Operations financed by reimbursements:		
Railroad Retirement Board	13,369,528	14,684,146
Bureau of the Public Debt (General Electric Co. bond program)	1,092,520	966,530
Total workload—reimbursable items	14,462,048	15,650,676
Total workload	497,854,599	519,396,634

Depositary services, investments, and other activities

Federal depositary system.—The types of depositary services provided and the number of depositaries for each of the authorized services as of June 30, 1970, and 1971, are shown in the following table:

Type of service provided by depositaries	1970	1971
Receive deposits from taxpayers and purchasers of public debt securities for credit in Treasury tax and loan accounts	12,716	12,856
Received deposits from Government officers for credit in Treasurer's general accounts	1,168	1,186
Maintain checking accounts for Government disbursing officers and for quasi-public funds	7,958	8,094
Furnish bank drafts to Government officers in exchange for collections	1,230	815
Maintain State unemployment compensation benefit payment and clearing accounts	54	54
Operate limited banking facilities:		
In the United States and its outlying areas	223	222
In foreign areas	257	255

Investments.—The Secretary of the Treasury, under specific provisions of law, is responsible for investing various Government trust funds. The Department also furnishes investment services for other funds of Government agencies. At the end of fiscal 1971, Government trust funds and accounts held public debt securities (including special securities issued for purchase by the major trust funds as authorized by law), Government agency securities, and securities of privately owned Government-sponsored enterprises. See the Statistical Appendix for table showing the investment holdings by Government agencies and accounts.

Loans by the Treasury.—The Bureau administers loan agreements with those Government corporations and agencies that have authority to borrow from the Treasury. See the Statistical Appendix for tables showing the status of Treasury loans to Government corporations and agencies as of June 30, 1971.

Surety bonds.—Executive agencies are required by law (6 U.S.C. 14) to obtain, at their own expense, blanket, position schedule, or other types of surety bonds covering employees required to be bonded. The

439-865 O—71——9

legislative and judicial branches are permitted by law to follow the same procedure. A summary of bonding activities of Government agencies follows:

Number of officers and employees covered on June 30, 1971	155, 000
Aggregate penal sums of bonds procured	$1, 290, 989, 840
Total premiums paid by the Government in fiscal 1971	$170, 512
Administrative expenses in fiscal 1971	$92, 313

Foreign indebtedness

World War I.—The Governments of Finland and Greece made payments during fiscal 1971 of $353,122.50 and $328,898.02, respectively. For status of World War I indebtedness to the United States, see the Statistical Appendix.

Credit to the United Kingdom.—The Government of the United Kingdom made a principal payment of $64.6 million and an interest payment of $66.0 million on December 31, 1970, under the Financial Aid Agreement of December 6, 1945, as amended March 6, 1957. The interest payment included $11.0 million representing interest on principal and interest installments previously deferred. Through June 30, 1971, cumulative payments totaled $1,920.8 million, of which $1,071.4 was interest. A principal balance of $2,900.6 million remains outstanding; interest installments of $319.9 million which have been deferred by agreement also were outstanding at the fiscal yearend.

Japan, postwar economic assistance.—The Government of Japan made payments in fiscal 1971 of $38.4 million in principal and $5.5 million in interest on its indebtedness arising from postwar economic assistance. Cumulative payments through June 30, 1971, totaled $297.9 million principal and $75.4 million interest, leaving an unpaid principal balance of $192.1 million.

Indonesia, consolidation of debts.—The U.S. Government and the Government of the Republic of Indonesia entered into the Indonesian Bilateral Agreement of March 16, 1971, which provided Indonesia a consolidation and rescheduling of its debt of $215 million, contracted prior to July 1, 1966, owed to several agencies of the U.S. Government. Indonesia now has 30 years in which to pay the principal amount of $180 million and 15 years to pay the accrued interest of approximately $35 million in semiannual installments. The first payment of $3,048,680.10 and the second payment of $1,543,717.97 were received at the Federal Reserve Bank of New York on May 11, 1971, and June 11, 1971, respectively. The Bureau of Accounts performs the accounting, collection, and distribution operations under the agreement.

Payment of claims against foreign governments

The 11th installment of $2 million was received from the Polish Government under the Agreement of July 16, 1960, and pro rata payments on each unpaid award were authorized.

The Foreign Claims Settlement Commission recertified awards to certain nonprofit organizations totaling $9.213,818.31 under the War Claims Act of 1948, as amended by Public Law 91–571, approved December 24, 1970. This law altered the existing order of payments, and provided that the next payments out of the war claims fund be made to nonprofit organizations. The Department of the Treasury received $4,750,000 from the Department of Justice from the sale of seized German and Japanese assets for payment on awards. A distribution of 69 percent of the unpaid balance of the nonprofit organizations' awards was authorized and paid during fiscal 1971.

The Foreign Claims Settlement Commission is currently certifying awards for payment under the International Claims Settlement Act of 1949, as amended by Public Law 90-421, dated July 24, 1968, against the Governments of Bulgaria, Rumania, and Italy. Initial payments of up to $1,000 on all awards certified were authorized, and payments are currently being made. See Statistical Appendix for more details.

Defense lending

Defense Production Act.—Loans outstanding were reduced from $7.1 to $6.4 million during fiscal 1971. Further transfers of $755,000 were made to the account of the General Services Administration from the net earnings accumulated since inception of the program, bringing the total of these transfers to $28.2 million.

Federal Civil Defense Act.—Outstanding loans were reduced from $73,417 to $44,655 during fiscal 1971.

Liquidation of Reconstruction Finance Corporation assets.—The Secretary of the Treasury's responsibilities in the liquidation of RFC assets relate to completing the liquidation of business loans and securities with individual balances of $250,000 or more as of June 30, 1957, and securities of and loans to railroads and financial institutions. Net income and proceeds of liquidation amounting to $54.9 million have been paid into Treasury as miscellaneous receipts since July 1, 1957. Total unliquidated assets as of June 30, 1971, had a gross book value of $7.8 million.

Liquidation of Postal Savings System

Effective July 1, 1967, pursuant to the act of March 28, 1966 (39 U.S.C. 5225-5229), the unpaid deposits of the Postal Savings System were required to be transferred to the Secretary of Treasury for liquidation purposes. As of June 30, 1970, a total amount of $65,139,269.29 representing principal and accrued interest on deposits had been transferred for payment of depositor accounts. All deposits are held in trust by the Secretary pending proper application for payment. Through fiscal 1971, payments totaling $54,939,976.47 had been made including $1,550,673.35 during fiscal 1971. Proposed legislation was pending at yearend to distribute the remaining money to the States except for a retention balance to cover future claims of depositors.

Federal tax deposits

The Federal tax deposit system is used for the collection of individual and corporate income tax, social security tax, railroad retirement tax, unemployment tax, and Federal excise tax. As described on page 11 of the 1967 Annual Report, the Bureau of Accounts prepares and mails Federal tax deposit forms quarterly to private enterprises. During fiscal 1971 the Bureau issued 90 million forms. The following table shows the volume of deposits processed by Federal Reserve banks for fiscal years 1960-71.

Fiscal year	Individual income and social security taxes	Railroad retirement taxes	Federal excise taxes	Corporate income taxes	Unemployment taxes	Total
1960	9,469,057	10,625	598,881			10,078,563
1961	9,908,068	10,724	618,971			10,537,763
1962	10,477,119	10,262	610,026			11,097,407
1963	11,161,897	9,937	619,519			11,791,353
1964	11,729,243	9,911	633,437			12,372,591
1965	12,012,385	9,859	644,753			12,666,997
1966	12,518,436	9,986	259,952			12,788,374
1967	15,007,304	10,551	236,538	22,783		15,277,176
1968	17,412,921	14,596	233,083	394,792		18,055,392
1969	23,939,080	12,479	272,048	1,297,052		25,520,659
1970	26,612,484	11,622	296,487	1,235,452	192,905	28,348,950
1971	28,714,587	12,367	323,730	1,249,034	956,201	31,255,919

NOTE.—Comparable data for 1944-59 will be found in the 1962 Annual Report, p. 141.

Government losses in shipment

Claims totaling $331,178.58 were paid from the fund established by the Government Losses in Shipment Act, as amended. Details of operations under this act are shown in the Statistical Appendix.

Other operations

Donations and contributions.—During the year the Bureau of Accounts received "conscience fund" contributions totaling $47,752.11 and other unconditional donations totaling $1,043,748.58. Other Government agencies received conscience fund contributions and unconditional donations amounting to $10,265.81 and $83,721.62, respectively. Conditional gifts to further the defense effort amounted to $3,125.46. Gifts of money and the proceeds of real or personal property donated in fiscal 1971 for the purpose of reducing the public debt amounted to $177,485.84.

BUREAU OF THE PUBLIC DEBT

The Bureau of the Public Debt, in support of the management of the public debt, has responsibility for the preparation of Department of the Treasury circulars offering public debt securities, the direction of the handling of subscriptions and making of allotments, the formulation of instructions and regulations pertaining to each security issue, the issuance of the securities, and the conduct or direction of transactions in those outstanding. The Bureau is also responsible for the final audit and custody of retired securities, the maintenance of the control accounts covering all public debt issues, the keeping of individual accounts with owners of registered securities and authorizing the issue of checks in payment of interest thereon, and the handling of claims on account of lost, stolen, destroyed, or mutilated securities.

The Bureau's principal office and headquarters is in Washington, D.C. Offices also are maintained in Chicago, Ill., and Parkersburg, W. Va., where most Bureau operations related to U.S. savings bonds and U.S. savings notes are handled. Under Bureau supervision many transactions in public debt securities are conducted by the Federal Reserve banks and their branches as fiscal agents of the United States. Approximately 18,800 (30,300 outlets) private financial institutions, industrial organizations, selected post offices, and others cooperate in the issuance of savings bonds, and approximately 16,700 financial institutions (31,700 outlets) act as paying agents for savings bonds.

Management improvement

An important effort to improve the processing of claims for relief for lost and stolen marketable securities was initiated and completed this year. Each claims case on file (approximately 2,500) was examined to determine its current status, eligibility for relief, and the total amount of claims outstanding. This data was accumulated in a claims control register which serves as the primary source of information on claims cases.

Background information developed during the examination of claims records was used extensively in supporting legislation proposed by the Department to authorize the granting of relief through replacement of lost or stolen marketable securities prior to maturity. Losses and thefts of Government securities have increased dramatically in recent years, rising to a volume of over $30 million in 1969 and again in 1970. With the Department unable to replace such securities before maturity, participants in the Government securities market, particularly financial institutions handling large volumes of these securities, were often deprived of the use of their securities, or the equivalent value in money, for the period of time between the loss or theft and maturity. Inasmuch as the continued participation of major financial institutions is essential to the existence of a broad, workable market mechanism for the vast financial operations of the Government, the amending legislation was aimed at minimizing, to the extent possible, the risks that security holders would have to bear in cases of loss or theft. The bill proposed by the Department was enacted as Public Law 92–19, approved May 27, 1971.[1]

The claims control register permits the ready identification of those claims already on file which are eligible for relief under the new law. Various other procedural changes generated by the study improved the quality and timeliness of service to all claimants, enhanced the data base on claims and reports of loss, and enabled the Bureau to expedite the processing of all claims.

The "book-entry system" for Treasury securities is felt to be the ultimate solution to the problem of loss and theft. Under this system, a record of ownership is stored in a computer operated by a Federal Reserve bank; there is no physical piece of negotiable paper evidencing ownership. The first entries into this system, made in 1968, covered only securities held by Federal Reserve banks as collateral for Government deposits or Federal Reserve advances and securities deposited in Federal Reserve banks for safekeeping. A vast array of legal and technical problems have been dealt with in an effort to expand the system to handle additional categories of holdings. This year the final obstacles were cleared to enable the Federal Reserve banks to accept securities in investment portfolios of banks, securities in banks' customer accounts (including brokerage accounts), and securities in dealers' trading inventories, which are the categories of holdings most important to the functioning of the market in Treasury securities.

About $230 billion of Treasury securities are in readily negotiable

[1] See exhibit 10.

form upon which the market depends and about $125 billion of that amount is now in book-entry form and thus safeguarded against theft. A sustained effort is being directed toward converting the bulk of the remaining $105 billion of holdings to book-entry form.

The program to have large-volume issuing agents report issues of savings bonds to the Parkersburg office on magnetic tape in lieu of registration stubs was expanded to include issue data from three Federal Reserve banks and two independent agents. The Federal Reserve Bank of Philadelphia began reporting issues for two Federal agencies and a major railroad company; the Federal Reserve Bank of Minneapolis for a major railroad company; and the Federal Reserve Bank of Richmond for the Commonwealth of Virginia. The two independent issuing agents are the Commonwealth of Pennsylvania and the Security Pacific National Bank, Los Angeles, Calif. There are now 20 agents participating in the "issues-on-tape" program.

A Honeywell H-1250 computer was leased by the Parkersburg office to process an increase in savings bond activity. Two new tape drives and additional memory were added to the Washington office computer configuration to allow streamlining of programs and increased processing capabilities.

In the Parkersburg office, the replacement of key punch machines with key-to-tape encoders increased operator productivity by 12 percent, and the full benefits of this change have not yet been realized. Although the substitution of encoders resulted in higher rental costs per machine and a higher grade structure for the operators, the overall machine population has been reduced from 186 to 130. The net result is a substantial savings accomplished by increased productivity.

Revision of paperwork processing in the Chicago office eliminated the need for preparation of an estimated 21,000 file folders annually. This will result in a 9-percent reduction of volume for the entire files inventory over the next 3 years.

The Administrative Services Office in Washington was reorganized into two branches: The Printing and Procurement Branch and the Office Facilities Branch. The Printing and Procurement Branch assumed records and forms management responsibilities and printing procurement duties formerly assigned to the Management Analysis Office, as well as the general procurement activities formerly handled by the Administrative Services Office. In other organizational changes, the Computer Programing Section was reassigned from the Division of Data Processing to the Management Analysis Office; the Registered Accounts Section of the Division of Loans and Currency was reorganized to provide better control; and the Mail and Files Unit of the Division of Loans and Currency was placed under the supervision of the Securities Transactions Section. These changes were made primarily in the interest of better organization. In the Parkersburg office the Retired Card Bond Subunit and the Retired Paper Bond Subunit were consolidated into a new Retirement Subunit thereby improving operations and reducing costs.

The Bureau maintains a "small differences" account to which all minor adjustments arising from the audit of paid savings bonds are charged or credited. The maximum amount that could be adjusted for each item was increased from $1 to $2. This eliminated the necessity to manually examine and adjust payments overstated or understated by $1.01 to $2 and resulted in an annual savings of over $25,000.

This year also saw the expansion of the Bureau's liaison activities with the Federal Reserve banks. The liaison program holds great potential for substantial benefits through the active exchange of ideas between the Bureau and the banks and better coordination of Public Debt activities common to all Federal Reserve banks.

Bureau operations

The extent of the change in the composition of the public debt is one measure of the Bureau's work. The debt falls into two broad categories: Public issues and special issues. Public issues consist of marketable Treasury bills, notes, and bonds; and nonmarketable securities, chiefly U.S. savings bonds, U.S. savings notes, U.S. retirement plan bonds, and Treasury bonds of the investment series. Special issues of certificates, notes, and bonds are made by the Treasury directly to various Government trust and certain other accounts and are payable only for these accounts.

During the year, 99,033 individual accounts covering publicly held registered securities other than savings bonds, savings notes, and retirement plan bonds were opened and 65,340 were closed. This increased the number of open accounts to 295,379 covering registered securities in the principal amount of $10,881 million. There were 528,791 interest checks with a value of $429 million issued during the year.

Redeemed and canceled securities other than savings bonds, savings notes, and retirement plan bonds received for audit included 8,127,471 bearer securities and 268,132 registered securities. Coupons totaling 18,487,163 were received.

During the year 24,113 registration stubs of retirement plan bonds and 81,374 retirement plan bonds (includes approximately 77 thousand pieces of obsolete stock) were received for audit.

A summary of public debt operations handled by the Bureau appears on pages 19–26 of this report and in the Statistical Appendix.

U.S. savings bonds.—The issuance and redemption of savings bonds results in a heavy administrative burden for the Bureau of the Public Debt, involving: Maintenance of ownership records for the 3.4 billion bonds issued since 1935; adjudication of claims for lost, stolen, and destroyed bonds (which totaled 2.7 million pieces on June 30, 1971); and the handling and recording of retired bonds.

Detailed information on sales, accrued discount, and redemptions of savings bonds will be found in the Statistical Appendix.

There were 125 million stubs or records on magnetic tape and microfilm representing the issuance of series E bonds received for registration, making a grand total of 3,368 million, including reissues, received through June 30, 1971.

All registration stubs of series E savings bonds and all retired series E savings bonds are microfilmed, audited, and destroyed, after required permanent record data are prepared by an EDP system in the Parkersburg office. The following table shows the status of processing operations for savings bonds and savings notes in the Parkersburg office.

Fiscal year	Received	Microfilmed	Key punched	Converted to magnetic tape	Audited and classified	Destroyed	Balance: Unfilmed	Balance: Not key punched	Balance: Not converted to magnetic tape	Balance: Unaudited
Stubs of issued card type series E savings bonds (in millions of pieces)										
1958-66	807	806	....	802	800	756	2.3	....	5.9	7.5
1967	104	104	....	105	103	103	2.6	....	5.2	8.9
1968	102	103	....	103	103	98	1.7	....	4.4	8.1
1969	104	102	....	102	102	104	3.1	....	6.6	9.7
1970	98	98	....	98	95	108	3.3	....	6.9	13.2
1971	101	104	....	106	108	107	.5	....	1.6	6.1
Total [1]	1,317	1,317	....	1,315	1,311	1,277	....	....	....	....
Retired card type series E savings bonds and savings notes [2] (in millions of pieces)										
1958-66	532	530	527	527	525	492	2.2	5.0	5.0	6.5
1967	87	88	87	87	86	85	2.0	4.9	5.5	8.3
1968	95	94	96	97	95	84	2.5	3.6	3.6	7.6
1969	111	110	108	108	106	98	3.4	6.7	6.7	11.9
1970	116	116	118	117	114	125	3.6	5.3	5.7	14.2
1971	110	114	115	115	119	124	.0	.5	.5	5.6
Total	1,051	1,051	1,050	1,050	1,045	1,009	....	....	....	....
Retired paper type Series E savings bonds (in millions of pieces)										
1962-66 [3]	84.7	84.3	....	83.7	83.4	73.4	0.4	....	1.0	1.3
1967	16.8	16.8	....	17.0	16.7	16.0	.4	....	.8	1.4
1968	15.2	15.2	....	15.2	15.3	13.8	.4	....	.8	1.3
1969	13.7	13.7	....	13.7	13.7	18.4	.4	....	.8	1.3
1970	13.3	13.3	....	13.4	13.0	15.5	.4	....	.7	1.6
1971	10.1	10.5	....	10.6	11.3	8.9	.0	....	.1	.4
Total	153.8	153.8	....	153.7	153.4	146.0	....	....	....	....
Stubs of issued U.S. savings notes [2] (in millions of pieces)										
1967	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
1968	6.9	6.6	6.5	6.5	6.2	2.3	0.3	0.4	0.4	0.7
1969	11.0	10.9	10.7	10.6	10.6	9.3	.4	.7	.7	1.1
1970	10.4	10.6	10.7	10.7	10.6	12.2	.1	.4	.4	.8
1971	.5	.7	.9	.9	1.4	5.0	.0	.0	.0	.0
Total	28.8	28.8	28.8	28.8	28.8	28.8	....	....	....	....

*Less than 50,000.

[1] Excludes records received on magnetic tape: 5.3 million in 1965, 6.4 million in 1966, 12.8 million in 1967, 17.2 million in 1968, 19.9 million in 1969, 22.7 million in 1970, and 24.6 million in 1971 for a total of 108.9 million.

[2] U.S. savings notes were first issued in May 1967 and the sale of the notes was terminated on June 30, 1970.

[3] In 1962 (and prior years) most paper type bonds were processed in other offices manually and on tabulating equipment.

Of the 111 million series A–E savings bonds and savings notes redeemed and charged to the Bureau during the year 108.4 million (97.7 percent) were redeemed by authorized paying agents. For these redemptions these agents were reimbursed quarterly at the rate of 15 cents each for the first 1,000 bonds and notes paid and 10 cents each for all over the first 1,000 for a total of $14,035,360 and an average of 12.95 cents per bond and note.

The following table shows the number of issuing and paying agents for series A–E savings bonds by classes.

June 30	Post offices [1]	Banks	Building and savings and loan associations	Credit unions	Companies operating payroll plans	All others	Total [2]
	Issuing agents						
1945	24,038	15,232	3,477	2,081	[3] 9,605	(3)	54,433
1950	25,060	15,225	1,557	522	3,052	550	45,966
1955	2,476	15,692	1,555	428	2,942	588	23,681
1960	1,093	16,436	1,851	320	2,352	643	22,695
1965	943	14,095	1,702	246	1,695	510	19,191
1966	934	14,114	1,710	241	1,621	482	19,102
1967	901	14,181	1,717	231	1,541	460	19,031
1968	870	14,234	1,701	227	1,485	448	18,965
1969	836	14,267	1,711	230	1,408	446	18,898
1970	777	14,319	1,698	224	1,365	442	18,825
1971	735	14,415	1,693	219	1,374	404	18,840
	Paying agents						
1945		13,466					13,466
1950		15,623	874	137		57	16,691
1955		16,269	1,188	139		56	17,652
1960		17,127	1,797	169		60	19,153
1965		14,190	1,816	157		15	16,178
1966		14,247	1,857	164		15	16,283
1967		14,264	1,884	165		14	16,327
1968		14,304	1,970	175		14	16,463
1969		14,336	1,997	176		15	16,524
1970		14,399	1,998	181		18	16,596
1971		14,489	1,998	182		12	16,681

[1] Estimated by the U.S. Postal Service for 1955 and thereafter. Sale of series E savings bonds was discontinued at post offices at the close of business on Dec. 31, 1953, except in those localities where no other public facilities for their sale were available.
[2] Effective Dec. 31, 1960, a substantial reduction was made due to reclassification by Federal Reserve banks to include only the actual number of entities currently qualified. Does not include branches active in the savings bond program.
[3] "All others" included with companies operating payroll plans.

Interest checks issued on current income-type savings bonds (series H) during the year totaled 4,141,810 with a value of $342,597,918. New accounts established for series H bonds totaled 99,735 while accounts closed totaled 120,354, a decrease of 20,619 accounts.

Applications received during the year for the issue of duplicates of savings bonds and savings notes lost, stolen, or destroyed after receipt by the registered owner or his agent totaled 42,252. In 24,844 of such cases the issuance of duplicate bonds was authorized. In addition, 23,328 applications for relief were received in cases where the original bonds were reported as not being received after having been mailed to the registered owner or his agent.

OFFICE OF THE TREASURER OF THE UNITED STATES

The Office of the Treasurer of the United States was created by the act of September 2, 1789 (1 Stat. 65; 31 U.S.C. 141), for the purpose of receiving, holding, and paying out the public moneys for the Federal Government. The Office maintains accounts of the source, location, and disposition of these funds.

The Treasury checks issued to pay virtually all of the Federal Government's obligations are drawn on the Treasurer, and upon their presentment for payment are examined by the Treasurer's Office and reconciled against the records of the issuing officers. In fiscal 1971, almost 641 million checks were issued from over 1,800 disbursing stations.

Claims for checks that are lost in the mails, or which bear forged endorsements, are paid by the Treasurer by issuing or authorizing the issuance of new checks. The Treasurer also handles claims for partially destroyed paper currency.

Most of the Federal Government's operating cash is held in accounts of the Treasurer maintained in the Federal Reserve banks and branches, of which there are 36. These banks have been designated, pursuant to law, as fiscal agents of the United States. Revenue receipts, public debt borrowings and other incoming moneys are credited to those accounts, and checks drawn on the Treasurer are charged to those accounts after they have been endorsed by the payees and enter the banking system for collection from the Treasurer. The Federal Reserve banks make daily reports of these transactions to the Treasurer, who keeps cash accounts of the Federal Government's receipts and disbursements, and publishes daily reports of them.

Representatives of the Treasurer make regular inspections of the procedures employed by Federal Reserve banks in verifying and destroying paper currency of the United States which has become worn out and will be replaced. Unfit currency delivered to the Treasury in Washington, D.C., is verified and destroyed by the Treasurer.

The Treasurer is vault custodian of a quantity of securities and other valuables deposited with the Treasury by many Government agencies.

In the Washington, D.C., area, the Treasurer supplies coin and currency to local banks, cashes checks drawn on the Treasurer, and issues and redeems Government bonds and other securities. In other parts of the country, these functions are performed by Federal Reserve banks and branches.

Management improvements

ADP management.—During fiscal 1971 the Treasurer's Office continued performing ADP services on a reimbursable basis and sharing its computer systems with other agencies. The computer systems were installed and are used primarily to process Government checks; however, during the year, the systems were used a total of 3,134 hours by personnel of the Treasurer's Office in performing services on a reimbursable basis for other bureaus and agencies, primarily for the U.S. Postal Service. In addition, the systems were used 1,328 hours by personnel of the Department of Labor after regular working hours and on weekends when the equipment was not needed for operations performed by the Treasurer's Office.

About 90 percent of the computer systems were purchased in 1962 and 1963 and the purchase cost is fully amortized. Because of this, the office was able to provide computer time to other agencies at a cost of less than $15,000. Purchase of this time through a commercial computer service company would have required an expenditure of $359,000, thus providing a cost avoidance of $344,000 to other departments.

Automation.—Electric accounting machines rented from the manufacturer were replaced early in the year with less costly machines leased from third parties. This action resulted in an estimated savings of $19,000 during fiscal 1971. Further study showed that additional savings could be achieved by replacing the electric accounting machines with small-scale third-generation computer equipment. The office has contracted to purchase an excess Government-owned computer system in July 1971 at a greatly reduced price, and plans to rent a second system later in the year. Subsequent to installation and operation of both systems, annual savings of $45,000 are anticipated.

During the year the office adopted a micromation system which records paid check information directly from magnetic tape to microfilm, thus eliminating the printing of this information on 1.5 million pages of hard-copy printouts annually. This system greatly reduces computer processing time, storage space requirements, and searching time to obtain the data needed to request paid checks from storage. An annual savings of $70,000 beginning in fiscal year 1972 is anticipated, a substantial portion of this savings being made possible by the use of a micromation printer in another Treasury bureau.

To alleviate complete dependence upon manual procedures and a voluminous paper flow in the check claims activity, a comprehensive automated system is being developed. The purpose of the proposed system is to provide an on-line real-time data management system designed to expedite and improve the processing of check claims.

The study has progressed to the point where requests will be sent in July 1971 to manufacturers of electronic equipment to submit proposals for a suitable computer system. The office plans to install the equipment during the last quarter of fiscal 1972. Automation will achieve savings in personnel, produce greater efficiency, and greatly improve service to the public.

Destruction of unfit paper currency.—Studies are being made to find alternative destruction methods that could eventually replace incineration as a method of destroying currency which is no longer fit for circulation, to reduce air pollution and recycle the currency paper into a useful product. It has been determined that the currency can be successfully ground on hammer mill-type equipment and that the dry residue can be utilized as roofing felt and possibly as a filler for hard plastics.

Internal auditing.—Audits of the various activities in the Office of the Treasurer provide the surveillance necessary to assure management that established policies and procedures are being followed and that assets are properly accounted for. Unannounced audits made of cash, negotiable securities, bond stock, and check stock are a deterrent to misappropriation of funds.

As a result of fiscal 1971 audits, internal controls were strengthened in the processing and recordkeeping of currency, coin, and Government securities. Internal audit work during the year also assisted management in developing more efficient and economical procedures in performing financial operations.

Assets and liabilities in the Treasurer's account

A statement of the assets and liabilities in the Treasurer's account at the close of the fiscal years 1970 and 1971 appears in the Statistical Appendix. Balances shown in that statement, which is on a final accounting basis, may differ somewhat from balances mentioned herein on the daily Treasury statement basis. The assets of the Treasurer consist of gold bullion, coin, coinage metal, paper currency, deposits in Federal Reserve banks, and deposits in commercial banks designated as Government depositaries.

Gold.—The Treasurer's gold assets declined during fiscal 1971 from $11,367.0 million to $10,332.1 million on the daily Treasury statement basis. Purchases of $504.5 million were exceeded by sales of $1,091.8 million. The International Monetary Fund withdrew $62.6 million of its deposits and the United States paid $385.0 million to the Fund as the required 25 percent gold portion of its quota increase authorized by Public Law 91–599, approved December 30, 1970.

Coinage metal.—Stocks of coinage metal stood at $148.0 million at the beginning of fiscal 1971 and at $228.5 million as the year ended. Such stocks include silver, copper, nickel, zinc and alloys of these metals which are not yet in the form of finished coins.

On November 10, 1970, the Department terminated the silver sales program. Silver bullion which remained in the Treasury after completion of deliveries then pending is being used for coinage purposes only.

Balances with depositaries.—The following table shows the number of each class of depositaries and balances on June 30, 1971.

	Number of accounts with depositaries [1]	Deposits to the credit of the Treasurer of the United States June 30, 1971
Federal Reserve banks and branches	36	[2] $1, 693, 699, 109
Other domestic depositaries reporting directly to the Treasurer	20	6, 481, 494
Depositaries reporting through Federal Reserve banks:		
General depositaries, etc	1, 928	148, 106, 478
Special depositaries, Treasury tax and loan accounts	12, 856	7, 371, 986, 499
Foreign depositaries [3]	53	32, 461, 676
Total	14, 893	9, 252, 735, 256

[1] Includes only depositaries having balances with the Treasurer of the United States on June 30, 1971. Excludes depositaries designated to furnish official checking account facilities or other services to Government officers but which are not authorized to maintain accounts with the Treasurer. Banking institutions designated as general depositaries are frequently also designated as special depositaries, hence the total number of accounts exceeds the number of institutions involved.

[2] Includes checks for $419,322,677 in process of collection.

[3] Principally branches of U.S. banks and of the American Express International Banking Corp.

Bureau operations

Receiving and disbursing public moneys.—Government officers deposit moneys which they have collected to the credit of the Treasurer of the United States. Such deposits may be made with the Treasurer in Washington, D.C., or at Federal Reserve banks or designated Government depositaries, domestic or foreign. Certain taxes are also deposited directly by the employers or manufacturers who withhold or pay them. All payments are withdrawn from the Treasurer's account. Moneys deposited and withdrawn in the fiscal years 1970 and 1971, exclusive of certain intragovernmental transactions, are shown in the following table on the daily Treasury statement basis:

Deposits, withdrawals, and balances in the Treasurer's account	1970	1971
Balance at beginning of fiscal year	$7,103,538,020	$9,015,895,781
Cash deposits:		
Internal revenue, customs, trust fund, and other collections	209,924,497,264	205,960,854,544
Public debt receipts [1]	339,673,982,332	354,848,290,216
Less:		
Accruals on savings bonds and notes, retirement plan bonds and Treasury bills	7,687,945,023	6,586,378,312
Purchases by Government agencies [2]	100,708,357,273	109,361,742,281
Sales of securities of Government agencies in market [2]	38,178,525,251	27,090,702,648
Total deposits	479,380,702,551	471,951,726,815
Cash withdrawals:		
Budget and trust accounts, etc	223,647,818,493	229,353,484,378
Public debt redemptions [1]	322,475,529,224	327,637,252,710
Less:		
Redemptions included in budget and trust accounts	6,529,767,707	6,625,358,604
Redemptions by Government agencies [2]	89,350,143,584	101,050,378,960
Redemptions of securities of Government agencies in market [2]	28,781,392,950	23,563,823,950
Total withdrawals	479,024,829,375	472,878,823,474
Change in clearing accounts (checks outstanding, deposits in transit, unclassified transactions, etc), net deposits, or withdrawals (—)	1,556,484,584	1,821,920,918
Balance at close of fiscal year	9,015,895,781	9,910,720,039

[1] For details see Statistical Appendix.
[2] "Government agencies," as here used, includes certain enterprises which have been converted to private ownership.

Issuing and redeeming paper currency.—The Treasury is required by law (31 U.S.C. 404) to issue U.S. notes in amounts equal to those redeemed. In order to comply with this requirement in the most economical manner, U.S. notes are issued only in the $100 denomination and only for local distribution in the Washington, D.C. area. Silver certificates are no longer issued. Unfit U.S. notes and silver certificates are redeemed and destroyed at the Federal Reserve banks and branches and at the Treasurer's Office in Washington, D.C.

Federal Reserve notes constitute nearly 99 percent of the paper currency in circulation. When printed by the Bureau of Engraving and Printing these notes are held in a reserve vault for the account of the Comptroller of the Currency. The Bureau ships notes to Federal Reserve banks and branches as needed. Federal Reserve banks then obtain notes for issuance to the commercial banking system by depositing equivalent amounts of collateral with their respective agents.

As the notes become unfit for further circulation they are retired under procedures prescribed by the Fiscal Assistant Secretary pursuant to delegation from the Secretary. Approximately 97 percent of the notes retired are verified and destroyed at the Federal Reserve banks. The remainder are verified and destroyed at the Department of the Treasury in Washington.

The Treasurer's Office accounts for Federal Reserve notes from the time that they are delivered by the Bureau of Engraving and Printing until finally redeemed and destroyed. The accounts show the amounts for each bank of issue and each denomination of notes held in the reserve vault, held by each Federal Reserve agent, or issued and outstanding.

The Treasurer's Office retires unfit paper currency of all types received locally in Washington and from Government officers abroad, and handles all claims involving burned or mutilated currency. During fiscal 1971, payments totaling $8.5 million were made to 53,535 claimants for burned and mutilated currency cases.

A comparison of the amounts of paper currency of all classes, issued, redeemed, and outstanding during the fiscal years 1970 and 1971 follows:

	Fiscal year 1970		Fiscal year 1971	
	Pieces	Amount	Pieces	Amount
Outstanding July 1	5,082,750,607	$47,912,760,981	5,373,864,149	$51,054,900,945
Issues during year	2,477,156,223	15,221,189,800	2,603,816,820	16,540,908,000
Redemptions during year	2,186,042,681	12,079,049,836	2,363,912,471	12,481,206,928
Outstanding June 30	5,373,864,149	51,054,900,945	5,613,768,498	55,114,602,017

Details of the issues and redemptions for fiscal year 1971 and of the amounts outstanding at the end of the year are given by class of currency and by denomination in a table in the Statistical Appendix. Other tables in that volume give further information on the stock and circulation of money in the United States.

Processing Federal tax deposits.—Under provisions of Treasury Department Circular No. 1079, tax withholders and certain taxpayers are supplied with partially punched cards which they forward to their banks with their tax payments. The cards are then routed to Federal Reserve banks which complete the punching and forward them to the Treasurer's Office in Washington. The Treasurer's Office enters the data from the cards on magnetic tapes which are furnished to the Internal Revenue Service for reconciliation with taxpayers' returns. This procedure obviates any handling of tax remittances in the Department and expedites the crediting of tax payments in the Treasurer's account.

The types of tax payments which are collected in this manner include withheld individual income and social security taxes, corporation income taxes, certain excise taxes, railroad retirement taxes, and Federal unemployment taxes. Payments received under this procedure in fiscal 1971 totaled $144,269.1 million and required the processing of 31.3 million cards, compared with $145,718.7 million collected and 28.5 million cards processed in the previous year.

Paying grants through letters of credit.—Treasury Department Circular No. 1075, dated May 28, 1964, established a procedure "to preclude withdrawals from the Treasury any sooner than necessary" in cases where Federal programs are financed by grants or other payments to State or local governments or to educational or other institutions. Under this procedure Government departments and agencies issue letters of credit which permit grantees to make withdrawals from the account of the Treasurer of the United States as they need funds to accomplish the object for which a grant has been awarded.

By the close of fiscal 1971, 55 Government agency accounting stations were making disbursements through letters of credit. During the year the Treasurer's Office processed 69,932 withdrawal transactions, aggregating $28,341.7 million, compared with 65,910 transactions, totaling $24,786.4 million, in fiscal 1970.

Checking accounts of disbursing officers and agencies.—As of June 30, 1971, the Treasurer maintained 1,831 checking accounts, compared with 1,988 the year before. The number of checks paid by categories of disbursing officers during fiscal 1970 and 1971 follow:

Disbursing officers	Number of checks paid	
	1970	1971
Treasury	481,595,416	502,539,420
Air Force	36,051,151	34,488,996
Army	38,722,671	35,966,044
Navy	41,357,002	38,511,782
Other	27,991,327	29,080,264
Total	625,717,567	640,586,506

Settling check claims.—During fiscal 1971 the Treasurer processed 808,000 requests to stop payment on Government checks, and 139,000 requests to remove stoppage of payment.

The Treasurer acted upon 452,000 paid check claims during the year, including those referred to the U.S. Secret Service for investigation because of forgery, alteration, counterfeiting, or fraudulent issuance and negotiation of Government checks. Reclamation was requested from those having liability to the United States on 62,000 claims of the value of $9.3 million. Settlements and adjustments were made on 48,000 cases totaling $10.4 million. Disbursements during the year from the check forgery insurance fund, established to enable the Treasurer to expedite settlement of check claims, totaled $671,000. As recoveries are made, these moneys are restored to the fund. Settlements totaling $8.6 million have been made from the Treasurer's check forgery insurance fund since it was established in November 1941.

Claims by payees and others involving 192,000 outstanding checks were acted upon. Of these, 177,000 were certified for issuance of substitute checks valued at $105.6 million to replace checks that were not received or were lost, stolen, or destroyed.

The Treasurer treated as canceled and transferred to accounts of agencies concerned, for adjustment purposes, the proceeds of 20,000 unavailable outstanding checks, totaling $13.5 million.

Collecting checks deposited.—Government offices during the year deposited 8.7 million commercial checks, drafts, money orders, etc., with the Treasurer's Cash Division in Washington for collection.

Custody of securities.—The face value of securities held in the custody of the Treasurer as of June 30, 1970, and June 30, 1971, is shown below.

Purpose for which held	June 30	
	1970	1971
As collateral:		
To secure deposits of public moneys in depositary banks	$39,615,100	$37,103,100
In lieu of sureties	3,632,850	5,005,250
In custody for government officers and others:		
For the Secretary of the Treasury [1]	36,600,036,156	37,384,997,232
For the Comptroller of the Currency	10,462,500	11,307,500
For the Federal Deposit Insurance Corporation	245,000,000	245,000,000
For the Rural Electrification Administration	154,048,600	147,157,000
For the District of Columbia	316,243,623	386,480,066
For the Commissioner of Indian Affairs	222,754,650	34,172,150
Foreign obligations [2]	12,032,489,451	12,028,276,451
Other [3]	42,448,697	120,013,619
For government security transactions:		
Unissued bearer securities	1,681,304,250	1,705,536,950
Total	51,348,035,877	52,105,049,318

[1] Includes those securities listed in table 107 in the Statistical Appendix as in custody of the Treasury.
[2] Issued by foreign governments to the United States for indebtedness arising from World War I.
[3] Includes U.S. savings bonds in safekeeping for individuals.

Servicing securities for Federal agencies and Government-sponsored enterprises.—In accordance with agreements between the Secretary of the Treasury and the agencies and enterprises listed below, the Treasurer of the United States acts as special agent for the payment of principal of and interest on their securities. A comparison of these payments during the fiscal years 1970 and 1971, on the daily Treasury statement basis, is as follows:

Payment made for	1970		1971	
	Principal redeemed	Interest paid	Principal redeemed	Interest paid
Banks for cooperatives	$2,946,645,000	$109,623,217	$3,240,675,000	$123,834,962
District of Columbia Armory Board		799,428		716,604
Federal home loan banks	5,256,549,000	425,258,008	7,230,855,000	818,665,913
Federal Housing Administration	85,851,400	23,431,217	65,578,550	21,056,873
Federal intermediate credit banks	5,615,135,000	289,856,144	6,010,905,000	383,933,952
Federal land banks	2,317,557,700	336,911,251	1,923,259,500	432,195,949
Federal National Mortgage Association	1,239,729,000	328,263,373	3,315,313,000	709,882,164
Others	114,850	30,058	152,900	23,994
Total	17,461,581,950	1,514,172,696	21,786,738,950	2,490,310,411

Office of Foreign Assets Control

The Office of Foreign Assets Control administers the Department of the Treasury's freezing controls. The Foreign Assets Control Regulations and the Cuban Assets Control Regulations prohibit, unless licensed, trade and financial transactions with Communist China, North Korea, North Vietnam, Cuba and their nationals and the purchase abroad and importation of Communist Chinese, North Korean, North Vietnamese, and Cuban merchandise. They also block assets in the United States of these countries and their nationals. During fiscal 1971, the Foreign Assets Control Regulations were amended in the following important respects:

1. By the issuance of reporting requirements as of July 1, 1970, for a census of all blocked Chinese property in the United States updating the one conducted in January 1951 immediately following the issuance of the blocking regulations;
2. By the issuance of a general license removing as of May 7, 1971, all controls on the use of dollars or dollar instruments in transactions with the People's Republic of China and its nationals;
3. By the issuance of an amendment removing the prohibition against American-controlled foreign-flag vessels calling at mainland China ports and the prohibition against the sale by American oil companies of fuel to or the bunkering of vessels owned or controlled by the People's Republic of China, except vessels going to or from North Korea, North Vietnam or Cuba; and,
4. By the issuance of a general license authorizing dealings abroad and importations into the United States, on or after June 10, 1971, of all merchandise of mainland Chinese origin or of Chinese type.

No major change was made in the Cuban Assets Control Regulations.

The Office of Foreign Assets Control also administers the Transaction Control Regulations which supplement the export controls exercised by the Department of Commerce over direct exports from the

United States to Eastern Europe and the U.S.S.R. These regulations prohibit, unless licensed, the purchase or sale or the arranging of the purchase or sale of internationally controlled strategic commodities located outside the United States for ultimate delivery to communist countries of Eastern Europe, the U.S.S.R., mainland China, North Korea, and North Vietnam. The prohibitions apply not only to domestic American companies but also to foreign firms owned or controlled by persons within the United States. During fiscal 1971 these regulations were amended by the issuance of a general license permitting sales of commodities subject to the Consultative Group Coordinating Committee (COCOM) controls to countries other than Communist China, North Korea, North Vietnam or Tibet, providing shipment is made from and licensed by a COCOM member country.

The administration of assets remaining blocked under the World War II Foreign Funds Control Regulations was continued without change. These regulations apply to assets blocked under Executive Order 8389, as amended, of Hungary, Czechoslovakia, Estonia, Latvia, Lithuania, East Germany, and nationals thereof who were, on January 1, 1945, in Hungary, or on December 7, 1945, in Czechoslovakia, or on December 31, 1946, in East Germany.

The Rhodesian Sanctions Regulations were also administered without change. These regulations were issued under Executive Order 11419 of July 29, 1968, which extended the mandatory economic sanctions against Southern Rhodesia under United Nations resolutions.

Under the Foreign Assets Control and the Transaction Control Regulations, the number of specific license applications received (including applications reopened) during fiscal year ending June 30, 1971, was 1,954. During that period a total of 2,030 was acted on.

Under the Cuban Assets Control Regulations, 522 applications for licenses were received (including applications reopened) during the fiscal year, and 517 applications were acted on. Comparable figures under the Foreign Funds Control Regulations were 178 applications received and 147 acted on. Under the Rhodesian Sanctions Control Regulations, 329 applications were received and 339 acted on.

Certain broad categories of transactions are covered by general licenses set forth in the regulations, and such transactions may be engaged in by interested parties without need for securing specific licenses.

The enforcement efforts of the Office of Foreign Assets Control resulted in the referral of seven cases to the Department of Justice during fiscal 1971 for criminal violations of the regulations. In one case the defendant received a 6-month jail sentence, and in another case the defendant received a suspended sentence. Criminal action is pending in the other cases. Also during fiscal 1971, violations of the Foreign Assets Control Regulations led to the forfeiture to the United States, under applicable customs laws, of merchandise valued at more than $25,000. In addition, merchandise tentatively valued at approximately $118,000 was seized and is expected to be forfeited after completion of the necessary formal procedures. In still other cases where forfeiture and civil penalties were mitigated as a result of extenuating circumstances, approximately $60,000 was collected in lieu of forfeiture and civil penalties.

439-865 O—71——10

Internal Revenue Service [1]

The Internal Revenue Service administers the internal revenue laws embodied in the Internal Revenue Code (title 26 U.S.C.) and certain other statutes, including the Federal Alcohol Administration Act (27 U.S.C. 201–212), the Liquor Enforcement Act of 1936 (18 U.S.C. 1261, 1262, 3615), the Gun Control Act of 1968 (18 U.S.C., chapter 44 and as amended in 1970), and Title VII of the Omnibus Crime Control and Safe Streets Act of 1968 (18 U.S.C. 1201–1203).

Enforcement activities

Enforcement activities of the Service insure that tax liabilities are properly determined and paid, and that neither unintentional error nor willful intent shall result in overpayment or underpayment of tax.

Examination of returns.—The audit enforcement program covers all categories of taxpayers. It uses men and machines with special techniques to meet changing conditions. Computers identified most returns examined during 1971, ranking them according to potential tax error. Once identified, potential-error returns are assigned to revenue agents or tax auditors. Working at the taxpayer's place of business, revenue agents examine high-income, complex returns that require professional accounting skills. Tax auditors examine returns with less complex issues, generally by interview at a Service office or by correspondence. In 1970, to gain maximum use of limited manpower, tax auditors began to conduct examinations at the taxpayer's place of business in appropriate circumstances.

Of the 1.6 million returns examined in 1971, 1.1 million resulted in recommendations for assessment of $3.4 billion in additional tax.

Exempt organization audit activity.—Manpower devoted to exempt organization audits increased 52.1 percent over 1970. A balance is sought between maintaining broad geographic coverage of all types of exempt organizations and assuring, by means of thorough audits, that larger organizations are operating within the scope of their exempt status. More than 11,000 exempt organizations were examined in 1971.

Field exempt organization activity is concentrated in 16 key districts throughout the United States. Each key district covers a wide area and has at least one group of specially trained agents who conduct examinations of exempt organizations and process applications for exemption. To provide uniformity, effective supervision, and better use of manpower, certain aspects of the key district concept were realigned during the year and audit review procedures strengthened.

To acquaint examiners with new exempt organizations provisions of the Tax Reform Act of 1969, seminars were held in various district offices.

Art advisory panel.—A 10-man panel of art experts, established in 1968, was expanded to 18 in 1971.[2] The panel reviewed 493 works of art valued at $14.3 million. Recommendations included a reduction in value placed on art objects claimed as contributions from $7.5 million to $4.1 million, and an increase in value on art objects included in

[1] Additional information will be found in the separate "Annual Report of the Commissioner of Internal Revenue."
[2] See exhibit 70.

estates from $6.8 million to $8.6 million. In the last 3 years, changes in fair market value recommended by the panel totalled $15.5 million.

Administrative appeals system.—Proposed adjustments to reported tax liabilities are not always resolved upon first examination. The Service provides administrative appeal procedures to enable taxpayers to settle cases promptly, without litigation, on a fair and impartial basis. In an overwhelming majority of cases a mutually agreeable solution is attained. Success is evidenced by the fact that during the last 5 years over 98 percent of all disputed cases were closed without trial.

These procedures give the taxpayer two levels of appeal before litigation. The first-level appeal operates through 58 district conference staffs and the second through 40 regional appellate division offices. When needed, hearings at either level may be held at other locations. Issues are considered on all internal revenue taxes except alcohol, tobacco, firearms, narcotics, and wagering. Issues range from the most elementary to the most complex and involve proposed liabilities from a few dollars to millions of dollars.

If agreement is not reached at either district or regional level, the taxpayer can, in most cases, file an appeal with the Tax Court. Even if this is done, and the case is docketed for trial, appellate procedures continue in an effort to reach settlement. As an alternative to trial in the Tax Court, the taxpayer can bring suit in the Court of Claims or a U.S. district court. This requires payment of the proposed tax deficiency, followed by the filing and disallowance of a claim for refund.

For 1971, appeal functions disposed of 51,419 cases by agreement compared to 965 cases decided by the Tax Court and 450 cases decided by the district courts and Court of Claims.

Tax Court litigation activity.—There were 12,192 cases docketed in the Tax Court as of June 30, 1971, compared to 11,453 pending on the same date 1 year earlier. There were 8,299 new cases received and 7,560 disposed of; the dispositions included 806 decided on the merits, 567 dismissed, and 6,187 closed by stipulation agreement of the parties. The Tax Court entered 526 opinions involving 787 cases. A total of 315 opinions were decided for the Government; 73 for the taxpayer, and 138 were decided partially for the Government and partially for the taxpayer.

Tax fraud litigation activity.—A total of 1,021 income and miscellaneous criminal cases, with prosecution recommendations involving 1,016 prospective defendants, were forwarded to the Department of Justice. Compared with the prior year, this was an increase of 16 percent in the volume of referrals. In 1971, indictments were up 7 percent. In income, excise, and wagering tax criminal cases, 491 defendants pleaded guilty, 154 pleaded nolo contendere, 142 were convicted after trial, 57 were acquitted, and 153 were dismissed.

Tax fraud investigations.—The criminal prosecution of tax fraud cases is a deterrent to tax evasion. Cases are carefully investigated, and there is probably no field of criminal law in which more conservatism is shown than in the preparation and presentation of tax cases for prosecution. Few cases are prosecuted—around seven or eight hundred a year out of 75 or 80 million corporate and individual taxpayers. The Service's objective is to get the maximum deterrent value from those cases prosecuted.

Emphasis is placed on identifying areas of noncompliance, patterns of tax evasion, and broad conspiratorial situations. In 1971, more than 7,000 investigations were completed of which 1,368 resulted in prosecution recommendations.

Strike forces.—The Service plays an integral part in the Government's effort to curb and eradicate the corrupting influences of organized crime. The Government's initial plan to combat organized crime has been expanded to concentrate on illegal sources of income from gambling, loan sharking, narcotics, prostitution, and other forms of vice. Primary efforts are concentrated in 18 strike forces located throughout the country. The strike force concept melds the energies and expertise of several Federal law enforcement authorities under the Department of Justice.

Strike force operations in Newark, N.J. dramatically illustrate the effectiveness of the concept. A strike force established there in 1969 aimed at eliminating a vicious organized crime situation. Since that time the Newark strike force efforts resulted in indictment of fifteen defendants on 64 counts of extortion and conspiracy.

Gathering data on racketeer infiltration of legitimate business is a continuous operation. The Service has information concerning approximately 2,000 major racketeers. About 85% of the racketeers are engaged in legitimate business activities.

Collection of past-due accounts.—Most taxpayers pay the full amount of tax reported due when filing tax returns; however, there are those who do not. Some taxpayers make errors on their returns, while others are found to owe money after an audit. These circumstances resulted in 2.8 million past-due accounts in 1971, which is 197,000 or 8 percent more than last year. The amount of past-due tax involved rose $196 million, or 6 percent, to $3.5 billion in 1971. Part of the increase stemmed from the steady growth in population and taxable income, while part was undoubtedly due to general economic conditions.

The Service disposed of 2.8 million accounts, an increase of 258,000 accounts or 10 percent over 1970. Dollar value of disposals rose to $3.6 billion, up $269 million from the prior year.

For the first year since 1968 when budgetary limitations were imposed inventory of delinquent accounts declined. The 759,000 outstanding accounts at yearend represent a reduction of 29,000 accounts, 4 percent below 1970. Dollar value at $1.9 billion was $87 million higher than last year.

Delinquent returns.—The rise in past-due account workload and limited manpower resources permitted only a modest gain in the number of delinquent returns secured. The amount assessed reached the highest level in history. The Service secured 735,000 delinquent returns valued at $489.4 million compared to 738,000 returns valued at $370 million last year. A total of 679,000 returns assessed at $427.6 million were secured through established delinquent returns programs; the balance came from the audit program.

Alcohol, tobacco and firearms tax administration.—Illicit liquor traffic is concentrated in the Southeastern United States where 90 percent of illicit distilleries are seized. Operation Dry-Up, involving concentrations of manpower in a problem area is justified by past success. More than $100 million in additional Federal revenues have been produced by Operation Dry-Up since its inception in 1963. The States involved have experienced social and health benefits as well as increases in revenue.

Tobacco tax collections increased over the last 10 years, even though the basic tax rates remained unchanged. Tobacco tax collections amounted to $2.2 billion in 1971, up 5.4 percent over last year.

Firearms law enforcement.—The 1968 Gun Control Act as amended in 1970 classified bombs as firearms, expanding Service responsibilities. There were 620 man-years used on firearms activities in 1971 as compared to 627 in 1970.

Investigations resulted in 2,785 criminal cases, arrests of 2,228 violators and seizures of 6,910 firearms compared with 2,975 criminal cases, 1,957 arrests and seizures of 30,307 firearms in 1970. There were 3,772 investigations concerning activities of firearms licensees which led to discovery of 1,964 purchasers who had criminal records or who had falsified their applications.

In administering import provisions of the 1968 Gun Control Act, the Service processed applications for 26,650 permits to import 964,122 firearms; 821 permits involving 894 guns were disapproved.

The National Office and regional laboratories examined 33,374 samples in 1971 compared to 27,531 in 1970. Samples ranged from bomb residues to types of ink. Almost 14,000 were related to criminal law enforcement. The Laboratory Forensic Group developed techniques to examine bomb residue to aid investigators in determining source of explosive and type of device used.

Informing and assisting taxpayers

Public information program.—With cooperation of the various media, more taxpayers than ever were exposed to the Service's information programs. Service employees delivered more than 5,500 speeches and responded to 45,000 news media inquiries. Many inquiries dealt with issues of widespread interest. Among sensitive issues were private schools, public interest law firms, exempt organizations, asset depreciation range system regulations and guidelines, war tax protests, bribes, and kickbacks.

News releases, technical issuances, and other printed matter were sent to daily and weekly newspapers covering every aspect of Service activity of interest to the taxpayer. Nearly 500 feature articles were written about Service operations. For the 7th consecutive year, the Service provided newspapers with a weekly "question and answer" column based on frequently asked questions; 1,285 daily newspapers and 4,605 weeklies used the material. Many newspapers continued to publish the column after the filing season.

Radio and television carried much of the Service message. District and regional office personnel participated in more than 5,400 locally developed features. Materials were used by 4,522 radio stations and 704 television outlets. Steps to inform the public involved use of pamphlets, fact sheets, posters, displays and exhibits. Special in-depth magazine articles were prepared for practitioner, farm business, and labor publications.

The Service directed a special informational program to the millions of taxpayers affected by the Tax Reform Act of 1969. Emphasis was placed on the new low-income allowance exempting many from paying tax and reducing tax for others. Many taxpayers affected by the allowance were in lower economic groups and could least afford to pay for tax assistance. The legislation liberalized filing requirements so more taxpayers, including large groups of retired persons, could choose to have the Service compute their tax liability.

Other changes receiving emphasis included the increase in the personal exemption, establishment of the new minimum tax, extension of optional tax tables to more taxpayers, and elimination of the tax surcharge.

The Service developed a campaign to inform taxpayers that, as a result of changes in the law, they may not have sufficient withholding to cover their tax liability for 1971. The Service solicited the aid of employers in informing employees about the problem. Radio and television announcements were provided on the underwithholding theme, supplemented by news releases, instructional packets and materials, interviews, and feature articles. The material was disseminated to approximately 2,000 employee publications, 42,000 newspaper women's page editors, 7,000 community leaders of women's groups, 500 labor newspaper editors, and the chief executives of some 200,000 major business and governmental organizations.

Taxpayer assistance program.—More than 35 million taxpayers were assisted in fiscal 1971. Nine million visited Service offices, another 18 million were assisted by telephone and about 350,000 more received help by correspondence with district offices. Forms and publications were furnished more than two million taxpayers upon request and an additional 6.5 million were reached through various taxpayer education programs.

Tax forms activity

The Tax Reform Act of 1969 required development of several new forms, revision of existing forms, updating instructions, and distribution of current information to employers to enable them to determine the correct amount of income tax to withhold. The most significant and rewarding effort was made in the individual income tax return, Form 1040. Aided by the results of a survey conducted for the Service by a private concern, format and other changes were made in Form 1040 and its related schedules which met with widespread satisfaction. A special document, Publication 713, "Income Tax Tables and Tax Rate Schedules," was also issued to assist individuals in computing their estimated income tax.

Form 4683, "U.S. Information Return of Foreign Banks, Securities, and Other Financial Accounts," was issued this year. If a return filer answered "yes" to the question appearing on his income tax return, indicating an interest in or control over such an account, he was required to submit Form 4683 with his tax return. The information is needed to promote Government efforts in combating organized crime and tax evasion. Extreme care is exercised in control and use of this information to protect privacy of citizens.

A revised Form 990, "Return of Organizations Exempt from Income Tax," was issued in 1970 to replace Forms 990, 990–(SF), 990–A and 990A(SF). A thorough review based on comments solicited from practitioner groups and Service personnel is underway to determine what further improvements can be made in this area.

Tax rulings

Interpretations of the Internal Revenue Code and regulations are announced as "Revenue Rulings." Rulings establish the Service position that may be cited by field employees when examining returns involving similar issues.

Practices and procedures affecting taxpayers' rights and obligations are announced as "Revenue Procedures." Procedures of continuing significance are periodically incorporated into the "Statement of Procedural Rules."

During the year, 633 Revenue Rulings and Revenue Procedures were published for the guidance of taxpayers, tax practitioners, and Service employees.

In the interpretative area, nearly 28,000 individuals and organizations wrote to the Service for permission to change their accounting methods or periods, and on matters of earning and profit determinations. Approximately 1,500 requests for technical advice from District Directors were processed to help with problems encountered in examination of tax returns.

Regulation program

The complexities of the Tax Reform Act of 1969 required the Service to issue regulations to provide interpretative assistance to taxpayers in record time. The act required 179 regulations projects. Each project was scheduled for completion so that regulations could be issued in order of greatest need. The following publications appeared in the Federal Register for projects associated with the Tax Reform Act: 28 Treasury decisions containing final regulations; 9 Treasury decisions containing temporary regulations; and 68 notices of proposed rule making. These publications included such difficult and important areas as private foundations, charitable contributions, minimum tax, stock dividends, and real estate depreciation. With respect to projects not under the Tax Reform Act, the following publications appeared: 25 Treasury decisions containing final regulations; 6 Treasury decisions containing temporary regulations, and 27 notices of proposed rule making. The most significant Treasury decision published in this category concerned the new asset depreciation range system.[3]

Internal revenue collections and refunds

Gross collections.—The steady increases in Federal tax collections, in effect since 1959, ended in 1971 with a $4.1 billion decline in gross receipts. Total receipts of $191.6 billion this year, down from 1970's record high of $195.7 billion, represents a 2.1 percent drop.

Individual income taxes withheld decreased by $1.0 billion and individual income taxes not withheld were down $2.0 billion resulting in an overall decline of $3.0 billion in individual income tax receipts.

Corporation tax receipts for 1971 at $30.3 billion represent a decline for 2 straight years. An 8.6 percent ($3.3 billion) drop was recorded in 1970 and a 13.5 percent ($4.7 billion) drop this year. While the decline in corporation receipts of $4.7 billion is the second largest yearly decline ever recorded, the percentage of decrease (13.4 percent) was exceeded in 1946, 1947 and again in 1955.

[3] See exhibit 30.

Federal Unemployment Tax Act (FUTA) collections increased $196 million up 25.3 percent over last year. Two factors account for this increase: First, initiation in fiscal 1970 of quarterly instead of annual FUTA payments; and second, phasing-in increased deposit requirements. The one-third tax deposit requirement per calendar quarter in 1970 was increased to two-thirds in 1971.

Excise tax revenue rose to $16.9 billion up 6.1 percent, the highest amount collected in any year. Continuance of automobile and communications taxes under the Tax Adjustment Act of 1966 and the Revenue and Expenditure Control Act of 1968 along with additional taxes under the Airport and Airways Development Act of 1970, brought excise tax collections to a new high. New airways taxes include a 5 percent tax on cargo, an aircraft use tax based on weight and mode of propulsion, a $3 head tax on flights abroad and to Alaska and Hawaii. and a 7 cents per gallon tax on general aviation fuel.

Refunds.—Approximately two-thirds of the country's taxpayers overpay their taxes each year and are entitled to a refund. Providing there are no errors in a return when filed, refunds are normally paid to the taxpayer within 6 weeks of filing. There were 55.9 million taxpayers who received $18.9 billion in refunds in 1971 including $132.1 million in interest. The average refund in 1971 was $340, compared to $293 in 1970. The average amount of interest per dollar refunded was 0.7 cents (7 mills) in 1971, maintaining the record low point reached last year.

More than 98 percent of the refunds to all tax classes and almost 80 percent of the dollars were paid to individuals. Nearly 19 percent of the dollars refunded went to corporations, although they received less than 2 percent of the checks issued.

Processing tax returns

Number of returns filed.—In 1971, 111.4 million returns were received—a decrease of 1.6 million. For the first time since 1957, taxpayers filed fewer returns than in the previous year. Although receipts of most other types of returns increased, a decrease of 1.8 million individual Form 1040 returns more than offset increases. Reduction in Form 1040's resulted from the Tax Reform Act of 1969 which raised minimum income filing requirements and provided for a low-income withholding exemption option. The Form 1040 filing pattern was characterized by early submission of returns by taxpayers seeking refunds.

Returns filed projections.—Developing unified projections of return filing is an important part of Service planning. Projections are used for many types of planning including returns processing and audit work plans, budget allocation of manpower, and determining facility requirements. The projections are made for short- and long-range periods and are revised annually to incorporate new economic thinking and tax law changes.

The total returns filed workload is expected to grow from 113.4 million in calendar year 1970 to 120 million in 1975, and should reach 132 million by 1980.

Mathematical verification.—In 1971, fewer taxpayers made mistakes on Form 1040 returns—one in 15 as compared to one in 12 for 1970. More than 73 million individual returns were mathematically verified by computer in 1971. The Service's mathematical verification system detected errors resulting in tax liability adjustment upward of $313.1 million. The system also identified 1.7 million returns involving errors where taxpayers erroneously reported $140.2 million in taxes not due. Net yield to the Government from verification of individual returns was $172.8 million or $2.37 per return verified.

In addition to the mathematical verification program, the Service also validated over seven million claims of estimated tax credits totaling $17.1 billion. Of this amount, $16.9 billion were allowed resulting in a net yield to the Government of $232 million.

Financial management activities

Budgetary increases of 1,700 man-years and $73.3 million over the prior year, without subsequent employment or expenditure restrictions, made the operating financial plan a practical instrument for managing the Service's resources. The year was not without unusual financial developments. The Service asked for and received supplemental appropriations to meet new responsibilities under the Tax Reform Act of 1969 and the Organized Crime Control Act of 1970. These funds totalled $6.2 million of which $5.2 million was for personnel and equipment necessary to launch the new explosives control program.

Two important projects were advanced by reprograming funds. One provided for equipment and personnel at the new service centers; the other provided equipment needed to complete testing of the Integrated Data Retrieval System (IDRS).

Reimbursable operations were expanded when the Service was called on to participate in two special law enforcement programs: The United Nations security project and the sky marshal operation for protecting commercial airlines from hijacking. The Service contributed a majority of the personnel for these programs and was reimbursed for about 70 percent of the nearly $2.5 million cost.

New facilities

Work on the three new service centers was progressing well at yearend. Completion is scheduled for the Fresno Center in December 1971; Memphis, in January 1972; and Brookhaven, in July 1972.

The Data Center was moved from downtown Detroit to a temporary suburban location. The new permanent building for the Data Center inside the city is scheduled for completion by February 1973.

Preparations have begun for installing the IDRS in 10 service centers and over 200 remote stations. The complete system should be operable by early 1973.

The Service experimented with wide area telephone circuits to facilitate communication with taxpayers. Known as Centiphone (Centralized Taxpayer Information by Telephone), the system will permit taxpayers throughout a State to call district offices at local rates. While making it easier for the taxpayer to obtain tax assistance, the Centiphone system is designed to reduce costs by encouraging taxpayers to us the telephone instead of more expensive and time-consuming office visits or correspondence.

Personnel

Redistribution of work to the three new service centers will cause a reduction of 4,200 permanent positions at six of the present service centers. This reduction should be accomplished through normal attrition and voluntary transfers to the new centers. Almost all openings at the new centers had been announced by yearend and selections made for key management positions. When fully operational, each center will employ about 2,000 permanent employees.

The 1971 recruitment picture was characterized by an abundance of high quality applicants, many of whom ranked in the upper portion of graduating classes and Civil Service registers. There was no serious shortage of accountants for revenue agent, internal auditor and special agent positions. Other technical positions were also filled with comparative ease.

Recruitment efforts were extended to students with less than 4 years of college to fill a number of support positions for compliance activities. These positions were designed to handle more routine tasks, thereby freeing higher level employees to work on more difficult cases. The support positions established were: Revenue representative in Collection Division, tax fraud investigative aide in Intelligence Division, and internal revenue aide for various activities.

The Service's cooperative education programs continued to grow through increased participation in the original co-op program for accounting majors and establishment of new programs for students in other majors. Three new Service cooperative education programs were initiated for special agent, revenue officer, and tax auditor trainees. The program provides students with a means of extending classroom experience by working at jobs related to their fields of study. It provides the Service with a means of selecting high quality students during their undergraduate years. Special efforts are made to recruit minority students into cooperative education programs. During 1970, 463 students from 54 schools participated in the accounting co-op program.

Training

Passage of major tax legislation had considerable impact on training programs. The Tax Reform Act of 1969 required training to acquaint Service technical personnel with its provisions. Approximately 25,000 employees took part in technical training. Many tax law courses were revised in light of the Tax Reform Act.

In 1971 computer-assisted instructions were used to train operators of input station terminals that are part of the direct data entry system located in service centers. Next year, about 10,000 people will be trained in the direct data entry system using computer assisted instructions.

Closed-circuit television was used for instructor training, briefing techniques, and Chief Counsel trial attorney training. An automated shorthand refresher course, using practice tapes of varying speeds was used successfully in the National Office, and a Service-wide program for continuing professional development was installed using cassette tapes covering subjects ranging from tax law to general management.

Planning activities

Although all branches of the Service participate in planning, leadership and special skills are provided by the Office of the Assistant Commissioner (Planning and Research) which conducts studies, prepares analyses, and develops forecasts.

Storage and retrieval of tax returns images.—Large-scale requirements for access to returns will continue to burden the Service as long as pulling and refiling original documents remains a standard practice. In January 1971, testing began to determine feasibility of using microfilmed images of individual tax returns and documents in lieu of original documents.

Microfilm viewer-printers are used for retrieval by projecting an image on a screen and issuing printed copies. Taxpayers in test districts (Springfield, Ill., and Cleveland, Ohio) may visit or telephone the district office to receive a quick answer to questions regarding their tax returns.

Planning-programming-budget system.—Planning-programing-budgeting system techniques were continued by the Service in its 5-year program planning. Program analyses and coordination facilitated development of spring preview estimates for review of the Service's budget proposals.

Estimates of revenue increases by type of tax (which are expected to result from program increases contained in the Service's budget request) were developed for inclusion in the Treasury's general estimates of revenue receipts as reflected in the President's budget. Tying revenue increases from enforcement programs to related program costs makes it possible to recognize effects of the Service budget on net Federal receipts. A gain of $5 occurs for each additional dollar spent for enforcement manpower.

Analytical studies.—The Service conducted a number of analytical studies during the year. These include:

1. A study of various audit strategies to increase effectiveness of audit programs and refine audit planning techniques.

2. A study of individual income tax audit classes to define groups of returns requiring similar audit skills and to develop better classification techniques.

3. A study to develop discriminate function formulae to select returns for audit filed by corporations holding assets of less than $1 million.

4. A comprehensive study of Service organization to analyze long-range effectiveness is being evaluated. Organizational changes designed to make the Service more responsive to the needs of taxpayers will be implemented in fiscal 1972. These changes involve creation of a new Taxpayer Service Division to upgrade Service efforts to provide assistance materials, and other services to the taxpayer. A newly established Assistant Commissioner for Accounts, Collection, and Taxpayer Service (ACTS) will supervise the new division as well as the Collection Division and the Data Processing organization of the National Office. At regional offices the organizations supervised by Assistant Regional Commissioners for Collection and Data Processing are being combined under an Assistant Regional Commissioner for ACTS. The Collection Division in each of the 58 district offices is redesignated the Collection and Taxpayer Service Division, and in larger districts, will include a separate Taxpayer Service Branch.

Integrated data retrieval system (IDRS).—The Service is using the most advanced technology to speed replies to the vast number of inquiries it receives concerning taxpayer accounts. With an ever increasing volume of returns filed, the Service has committed itself to keeping pace with the newest developments in computerization by installing the IDRS. By October 1971, the system will be operational on a limited basis in eight States in the southwest part of the United States, and plans are underway to install it nationwide by early 1973.

Here is how IDRS will work: If the inquiry is by telephone, the taxpayer is asked to hold the line while a Service employee in the receiving office consults the computer. An employee in Little Rock, Ark., for example, can interrogate the computer by sending a message from a terminal resembling a typewriter keyboard to the service center in Austin, Texas. Information concerning the taxpayer's account is flashed within seconds on a video screen above the keyboard in Little Rock. If necessary, the employee can obtain a printed copy of what is on the screen. The Service employee in Little Rock can then pick up the telephone and answer the inquiry from the data displayed on the screen.

The key to IDRS is a system of video display-inquiry stations located in Service offices. These stations will be linked to large random-access computer files in service centers. The system affords almost immediate access to a particular file, eliminates paperwork, and provides for rapid updating of accounts.

Taxpayer compliance measurement program (TCMP).—The TCMP is the major long-range scientific research program of the Service. It is designed to answer basic questions about how well taxpayers voluntarily comply with tax laws. TCMP has helped to identify and classify size and frequency of errors on income tax returns. It provides the basis for analyses, based on sampled data, to channel the Service's scarce resources into programs aimed at noncompliant taxpayers. In 1971, TCMP data were used for refinement of Service programs and to answer inquiries on taxpayer compliance.

The tax models in 1971.—Originally developed 8 years ago to meet Treasury's need for timely estimates of the revenue effect of proposed tax legislation, the individual and corporation tax models have been valuable tools for economic planning. In 1971, new programs were developed to provide greater flexibility and increased production capability. Nearly 50 tax model runs were completed. Tabulations showed a distribution of nonbusiness and business returns by revised audit classes for use in determining field office workloads for the next several years. To aid in analysis of withholding rates, a series of detailed tabulations were prepared to measure impact of alternate sets of withholding rates compared to those prescribed for 1972 and 1973.

Federal-State cooperative exchange program.—Agreements on tax administration coordination have been concluded with 48 States and the District of Columbia. During the year agreements were concluded with Alabama, Connecticut, and Louisiana. Nearly half of all the agreements have been negotiated or revised in accordance with a model designed to provide the best cooperation.

Selected standard data elements on magnetic tape from the Service's individual master file were furnished to State tax administrators in 31 States and the District of Columbia. These data covered nearly two-thirds of all individual returns filed with the Service for the 1969 tax year.

Technical assistance has also been extended to the States in several forms. Aid has been offered in formulating State plans for income tax withholding, in assessing the merits of alternative State tax sources, and in outlining problems in administering a new State income tax.

The Service is exploring the possibility of expanding the cooperative audit program to include State unemployment insurance agencies. The program would have State agencies perform audits on State unemployment tax returns which the Service cannot audit because of limited resources. Results of State audits would be used by the Service to make adjustments on Federal returns.

Recognizing growing automatic data processing capabilities of State unemployment insurance agencies, the Service collaborated with the Department of Labor to develop a system for State computerized certification of the credit which employers claim on their Federal unemployment tax returns for contributions paid under State unemployment tax laws. The system has been introduced in Georgia and Mississippi on a test basis. Testing will permit the Service to make necessary adjustments prior to the effective date (January 1, 1972) for extension of employer coverage as provided by the Employment Security Amendments Act of 1970. The system will be implemented nationwide in 1973 when the number of Form 940 returns is expected to rise to about 3 million in contrast to the current total of under 2 million.

Administrative procedures.—The Service collaborated with the health insurance industry in a comprehensive study of problems encountered in complying with information reporting requirements for health care payments. Several changes have been made through regulations, rulings, and administrative actions. Work is nearing completion on a master file system for processing all returns related to employee pension, profit-sharing, and other deferred compensation plans. The system will be similar to the existing business master file and individual master file. Its scope will include all funded employee plans except those of governmental units.

Inspection activities

The Service has a demanding task to maintain public confidence in the integrity of its operations. Through internal security and internal audit operations, Service management is provided with timely, factual, and objective information on all matters that threaten this integrity. Activities include investigations of allegations of bribery, corruption of employees and misconduct of those practicing before the Service, and background investigations of applicants considered for Service positions. Management has responsibility to take corrective action on facts developed through audits and investigations. Pertinent data are furnished the Department of Justice for prosecution when evidence of a criminal law violation is disclosed.

Inspection programs also provide for periodic reviews of all operations of the Service, with emphasis on activities closely connected with collection of revenue and enforcement of tax laws. Examinations of ADP activities are made on a continuing basis by internal auditors stationed at regional service centers. Corrective actions on internal audit findings result in improved operating procedures and strengthened controls as well as additional revenue or savings, which for fiscal year 1971 are estimated at $41.8 million.

The Service-wide program of education and indoctrination of employees on duties and obligations in suspected bribery attempts shows effective results. During fiscal year 1971, 134 employees reported possible attempts to bribe resulting in 47 arrests, an alltime high.

Since January 1, 1961, 878 Service employees have reported real or imagined bribery attempts. Reports were made by employees engaged in every level of Service operations. During the decade, 236 persons have been arrested or indicted for attempting to bribe Service employees. As of June 30, 1971, 136 have been convicted or pleaded guilty and another 51 are awaiting trial.

Internal security inspectors completed 14,263 investigations during the year, a 41 percent increase over last year's total of 10,107 investigations. More than 16,000 checks of police records were made on persons considered for temporary short-term appointments or for positions under special economic and educational opportunity programs.

During the year 1,359 investigations were conducted for other Treasury components. As in prior years, assistance was furnished to the Secret Service for protection of the President and other persons.

International activities

The overseas program of the Service consists of three functions: (1) Administration of tax laws as they apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations; (2) providing assistance when requested to developing countries in improving their systems of tax administration; and (3) participation in negotiation of tax conventions or treaties with foreign countries to prevent economic double taxation.

Foreign tax assistance.—Under the foreign tax assistance program (FTAS) the Service, upon request, assigns tax advisors to developing countries to assist in modernizing their tax administration system. The program is financed and administered in partnership with the Agency for International Development, with technical coordination involving the Organization of American States, the Inter-American Development Bank, the International Monetary Fund, the United Nations, and other multicountry organizations.

Orientation and training of foreign tax officials in the United States continued as a prominent feature of FTAS. The Service was host to 407 tax officials, from 44 countries, with rank from cabinet and subcabinet status to technician levels. One hundred and nineteen officials attended seminars under the Service's International Tax Administration Training Series (INTAX) in subjects such as Middle Management Development, Supervisory Development, and Training Management. Programs were specially tailored to fit particular needs of the other 288 visitors.

In the ninth year of the FTAS, on-site advisory teams continued activity in: Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Trinidad and Tobago, Turkey, Uruguay, and Vietnam. Long-term programs ended in Argentina, South Korea, Panama, and Peru. Two new programs were started in Guyana and Jamaica.

Although the Service's main effort in helping these countries continued on an individual country basis, 1971 saw a shift to a multicountry approach. There was a reduction in the number of individual country programs from 18 in fiscal 1970 to 16 at the close of fiscal 1971. At the same time, the Service established closer links with technical assistance programs of multicountry organizations.

A significant development in the multicountry approach was the meeting of representatives of nine countries in the Far East to consider creation of an Asian Tax Administration and Research (ATAR) organization. The objectives of ATAR would be similar to those of the Inter-American Center of Tax Administrators (CIAT) which provides a means for stimulating and promoting improvements through seminars, direct technical assistance from member countries, and regional meetings for exchange of experiences and ideas.

CIAT continued to grow and broaden its services to member countries by arranging for exchange of technical information between countries and enlarging coverage of its technical publications. Commissioner Thrower led the U.S. delegation to the fifth CIAT annual assembly held in Rio de Janeiro. He delivered a paper on the significance in tax administration of a tax fraud program with criminal sanctions—an area of increasing interest to tax officials of developing countries.

CIAT also conducted technical seminars in auditing and ADP attended by representatives of member countries and representatives outside the Western Hemisphere. Service personnel presented technical papers and participated in discussions at both seminars.

International operations.—An eventual aim of the Service is to perform comparable services and functions for the large body of U.S. taxpayers abroad as it does for taxpayers in the United States. To this end it has established a system of foreign posts operating as miniature district offices in the following foreign cities: Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Saigon (temporary), Sao Paulo, and Tokyo. These posts provide the principal link between individual taxpayers and U.S. business entities abroad and our tax programs at home.

Subject to agreements with foreign countries, the staffs of these foreign posts advise and assist American taxpayers with their U.S. tax problems. They also conduct audits, hold conferences, collect taxes, gather information, hold discussions with foreign officials on exchanges of information and perform other duties under our system of tax treaties.

Over the past 18 years the Service has conducted a worldwide tax assistance program. This year nine revenue agents and nine tax auditors visited 99 cities in 50 countries to help some 31,000 taxpayers file their U.S. tax returns. In an effort to broaden the base of its overseas tax assistance program, the Service held 196 income tax seminars in 86 foreign cities in 1971. Almost 6,000 taxpayers attended these seminars.

A military income tax training program was attended by 850 servicemen at military installations in Europe, the Far East and the Canal Zone. Military authorities estimate that two-thirds of our military forces abroad receive benefits of this tax training.

Tax conventions.—New income tax conventions were signed with representatives of Belgium on July 9, 1970, and Japan on March 8, 1971. Income tax conventions with Finland and Trinidad-Tobago became effective upon exchange of instruments of ratification on December 30, 1970. An estate tax convention with the Netherlands became effective upon a similar exchange on February 3, 1971.

A number of significant changes have been included in recent income tax conventions including provisions which: (1) Define key terms in more detail; (2) extend the coverage of certain tax benefits; (3) incorporate new concepts, designed to encourage international trade and investment; (4) provide incentives for U.S. investment in developing countries; (5) erect obstacles to certain tax avoidance schemes; (6) waive statutory barriers to relief from international double taxation; and (7) expand and modernize provisions under which U.S. and foreign competent authorities consult and negotiate to resolve international tax problems. The new U.S.-Netherlands estate tax convention employs a different approach than earlier conventions to resolve problems of international double taxation by giving primary estate tax jurisdiction to the decedent's country of domicile and secondary jurisdiction to the country of citizenship.

Bureau of the Mint [1]

The Bureau of the Mint's primary responsibilities are the manufacture of all U.S. coins and their distribution to and through the Federal Reserve banks and branches. Other activities include: Various deposit transactions including intermint transfers of silver bullion; the safeguarding of the Government's holdings of monetary metals and coins; and the refining of gold and silver bullion. Functions performed by the Mint on a reimbursable basis include: The production and sale of proof and uncirculated coin sets; the manufacture and sale to the public of medals of a national character; and, as scheduling permits, the manufacture of coins and coinage blanks for friendly foreign governments.

The Bureau of the Mint headquarters is located in Washington, D.C. The operations necessary to conducting the business of the Mint are performed at six field facilities. Mints are located in Philadelphia, Pa., and in Denver, Colo.; assay offices are in New York, N.Y., and San Francisco, Calif.[2]; bullion depositories are situated at Fort Knox, Ky. (for gold) and at West Point, N.Y. (for silver). The West Point Depository is an adjunct of the New York Assay Office.

Bureau of the Mint operations, fiscal years 1970 and 1971

Selected items	Fiscal year	
	1970	1971
Newly minted U.S. coins issued (millions of pieces): [1]		
1 cent	r 5,534,578	5,256,037
5 cents	r 625,023	576,066
10 cents	r 869,252	787,479
25 cents	r 413,141	511,147
50 cents	r 79,392	246,510
Total	r 7,521,386	7,377,239
Electrolytic refinery production:		
Gold—fine ounces	r 1,492,871.472	1,893,223.612
Silver—fine ounces	r 2,204,896.280	3,393,885.831
Balances in Mint, June 30:		
Gold bullion—fine ounces	r 289,571,964	276,456,445
Silver bullion—fine ounces	r 65,319,621	44,377,935
Visitors touring Philadelphia and Denver Mints	576,813	725,789

r Revised.
[1] For general circulation only.

[1] Additional information is contained in the separate "Annual Report of the Director of the Mint."
[2] The San Francisco facility also operates as a mint.

Coinage legislation

The fiscal year 1971 was one of historic significance in the life of the Mint largely because of the enactment of Public Law 91-607, approved December 31, 1970. Title II [3] of this legislation amended the Coinage Act of 1965 (31 U.S.C. 391) with very important provisions relating to the coinage. One section provided for the dollar and half dollar coins to be nonsilver clad. (The cladding is an alloy of 75 percent copper and 25 percent nickel and weighing not less than 30 percent of the weight of the whole coin. The core is pure copper.) The Secretary of the Treasury was authorized to mint and issue 150 million dollar pieces containing 40-percent silver. Another section provided that the new dollar coins bear the likeness of the late President of the United States, Dwight David Eisenhower, and a design emblematic of the symbolic eagle of the Apollo 11 landing on the moon.

Domestic coinage

The coins currently authorized by the United States are dollars, half dollars, quarter dollars, dimes, 5 cents, and 1 cent pieces.

During fiscal 1971, the three coinage institutions produced 7,520,278,351 finished coins with a face value of $439,848,209. The total included 1,432,678 proof sets dated 1970 and 1,742,893 proof sets dated 1971, consisting of 15,877,855 individual coins. In addition, 497,010 40-percent silver Eisenhower dollars of the uncirculated variety were manufactured in June.

The Bureau of the Mint delivered 7.377 billion new coins to the Federal Reserve banks and branches during fiscal 1971.

All proof coins and numismatic Eisenhower dollars minted during fiscal 1971 were manufactured at the San Francisco Assay Office and bore the "S" mint mark.

The first nonsilver half dollars, manufactured pursuant to Public Law 91-607, were issued for general circulation in April 1971. These were the first half dollars to have been minted for general circulation since December 1969. By the end of the fiscal year approximately 279 million had been manufactured.

U.S. coins manufactured, fiscal year 1971

Denomination	General circulation		Proof coins [1]		Total coinage	
	Number of pieces	Face value	Number of pieces	Face value	Number of pieces	Face value
50 cents	281, 059, 904	$140, 529, 952. 00	3, 175, 571	$1, 587, 785. 50	284, 235, 475	$142, 117, 737. 50
25 cents	540, 171, 708	135, 042, 927. 00	3, 175, 571	793, 892. 75	543, 347, 279	135, 836, 819. 75
10 cents	787, 787, 200	78, 778, 720. 00	3, 175, 571	317, 557. 10	790, 962, 771	79, 096, 277. 10
5 cents	591, 325, 580	29, 566, 279. 00	3, 175, 571	158, 778. 55	594, 501, 151	29, 725, 057. 55
1 cent	5, 304, 056, 104	53, 040, 561. 04	3, 175, 571	31, 755. 71	5, 307, 231, 675	53, 072, 316. 75
Total	7, 504, 400, 496	436, 958, 439. 04	15, 877, 855	2, 889, 769. 61	7, 520, 278, 351	439, 848, 208. 65

[1] All proof coins were manufactured at the San Francisco Assay Office.

NOTE.—The half dollars, quarters, and dimes for general circulation are three-layer composite coins—outer cladding 75 percent copper, 25 percent nickel, bonded to a core of pure copper. 1,432,678 of the proof half dollars were dated 1970 and were composed of the 40-percent silver alloy.

[3] See exhibit 43.

439-865 O—71——11

Foreign coinage

As time permits, the Mint produces coins for foreign governments on a reimbursable basis. During fiscal 1971, a total of 247,956,537 finished coins were manufactured for: Costa Rica, Haiti, Israel, Liberia, Nepal, Panama, and the Philippines. In addition, 172,579,986 coinage blanks were produced for Brazil and Mexico.

Numismatic services

The Eisenhower dollar program.—On January 29, 1971, Assistant Secretary Rossides announced that the premium prices for the special Eisenhower dollars made of the 40-percent silver alloy would be $10 per coin for the proof and $3 per coin for the uncirculated. Proof coins are jewellike coins of high relief, struck twice by special polished dies. The coins are hand fed to a slow-moving press. The field or background is highly polished to a mirror finish. The coins receive the same careful, painstaking finishing operations as do pieces of expensive jewelry. Each coin is reviewed to detect any defects which may have occurred in the manufacturing operations. The uncirculated coins are of high quality, minted on high-speed presses. No attempt is made to impart a special finish.

On February 24, 1971, the Director of the Mint announced that order blanks for both types of silver Eisenhower dollars would be available beginning on June 18, 1971. These forms were made available through post offices, commercial banks, newspapers, magazines, and congressional offices. Orders, limited to five proof coins and five uncirculated coins per customer, were not accepted until July 1, 1971.

Procedures established during fiscal 1971 for the handling of the uncirculated Eisenhower coin orders constituted a unique demonstration of management cooperation among three components of the Department of the Treasury: The Bureau of the Mint, the Internal Revenue Service, and the Bureau of Accounts. The orders for the coins are mailed to special Bureau of the Mint post office box numbers for delivery to one of three IRS service centers: Mid-Atlantic Service Center, Philadelphia; Mid-Western Service Center, Kansas City; or Western Service Center, Ogden. The service centers place the orders on tape via their direct data entry system. The IRS prebalances and batches the orders on tape. Each week IRS submits order tapes from the three service centers to the Bureau of Accounts Austin Disbursing Center. The Austin facility will maintain an alphabetic master file of all orders. Every 2 weeks during the program, the Mint will request a specific volume of orders from the Austin Disbursing Center.

Medals.—The Philadelphia Mint has extensive facilities for the manufacture of national medals. Special medals are those authorized by the Congress to commemorate historic events and actions and to confer national recognition upon outstanding individuals. Other U.S. Government agencies also authorize the Bureau of the Mint to make special medals for them.

Medals made by the U.S. Mint, many of which were first issued as special medals, because of the general interest they generated are struck in volume and sold to the public. These are bronze medals, which are designated "List" medals (because they are on the regular Mint list for sale). During fiscal 1971, a total of 456,038 medals were made.

The availability of a new series of "List" medals was announced early in fiscal 1971. It is the miniature Presidential series, bronze medals $1\frac{5}{16}$ inches in size (instead of the traditional 3 inches). The medals are intended primarily for sale to young people at a price they can afford: 50 cents over the counter at the Philadelphia and Denver mints and 60 cents by mail. By the end of the fiscal year medals of 11 Presidents were available for sale. During the year 279,909 were manufactured.

Reference library.—During fiscal 1971 the establishment of the Numismatic Library Service was announced by the Director of the Mint. The Numismatic Section of the Treasury Library was started with a donation of 100 pieces of numismatic literature from the Smithsonian Institution. It will be increased by contributions from individuals and numismatic groups. The purpose of the service is to make available a sequence of historical material relating to U.S. coins and medals to researchers, writers, students, and the public. The reading room facilities of the library in the main Treasury building are available to those who wish to use the numismatic collection.

The Chief of Numismatic Services at the Philadelphia Mint has made his personal 400-volume collection of numismatic literature available to visitors at that Mint. This supplements the other numismatic services at Philadelphia which include the historical exhibit and visitors' accommodations for observing coinage operations.

Silver activities

The program of selling Treasury silver by the General Services Administration was concluded on November 10, 1970. The final deliveries of this silver for industrial use were made in February 1971. Approximately 260 million fine troy ounces of silver were sold through this program, of which 36.6 million ounces were delivered in fiscal 1971. The preparation of the silver bars, storage, and processing for delivery were accomplished by the Bureau of the Mint.

On October 5, 1970, notice of termination of acceptance of silver deposits for exchange into bars at U.S. mints and assay offices was made.[4] This necessitated that certain parts of Title 31 of the Code of Federal Regulations be amended to delete the specifications and conditions for the receipt of such deposits.

On December 9, 1970, parts 90 and 92 of Title 31 of the Code of Federal Regulations[5] were amended and revised to implement the termination of acceptance of silver deposits for exchange into bars at U.S. mints and assay offices.

U.S. Savings Bonds Division

The U.S. Savings Bonds Division promotes the sale and retention of U.S. savings bonds. This medium of investment makes possible the widespread distribution of the national debt through its ownership by a substantial part of the Nation's citizenry; it provides a stabilizing influence on the economy insofar as the average life of the E and H bonds is about 7 years and therefore constitutes a long-term underwriting of the Treasury's debt structure. Through its efforts the Divi-

[4] See exhibit 41.
[5] See exhibit 42.

sion endeavors to sell enough bonds to offset current redemptions and to lessen the need for refunding other Treasury marketable securities.

The program is carried out by a comparatively small Government staff assisted by a large corps of sales promotion volunteers. Liaison is maintained with all types of financial, media, business, labor, agricultural and educational institutions, and with civic minded community groups of all kinds. Their volunteer services help promote the sale of savings bonds through banks, savings and loan associations, credit unions, certain post offices and thousands of business establishments and other employers cooperating in the operation of the payroll savings plan.

Sales of series E and H savings bonds (including adjustments for late reports of savings notes sales) totaled $5,092 million in fiscal 1971.

Participants in the payroll savings plan, as of June 30, 1971, totaled more than 10 million. There were $53.6 billion savings bonds and savings notes held at the close of fiscal 1971, 23 percent of the privately held portion of the public debt. U.S. savings notes known popularly as "Freedom Shares" were withdrawn from sale June 30, 1970, but the amount outstanding is included in the total. During fiscal 1971 holders of these savings vehicles received $2.4 billion of interest.

Promotional activities

During fiscal 1971 the payroll plan again received major program emphasis and was promoted among industrial employees; Federal, State and local government employees; and the military services.

The 1971 nationwide payroll savings campaign in industry is led by B. R. Dorsey, president, Gulf Oil Corporation, and chairman of the U.S. Industrial Payroll Savings Committee. He is joined on the committee by eight former national chairmen and 44 top executives of the Nation's largest corporations, each representing a key geographical business center or major industry. Committee members set a strong example by the enrollment of 836,327 employees in the campaigns they conducted in their own companies during calendar year 1970 under the national chairmanship of Gordon M. Metcalf, chairman of the board, Sears, Roebuck and Co. A strong personal commitment and extensive involvement in the payroll savings campaign have characterized the chairmen of the committee. Mr. Metcalf gave extensively of his time and resources on behalf of the 1970 campaign. Mr. Dorsey has continued this tradition by bringing outstanding dedication to the work of the committee. Among other activities, he has addressed 17 meetings of business leaders throughout the country and has appeared on the NBC national television network "Today" show. He has also provided sales materials for the committee and savings bonds staff, including a sound motion picture in color, "Special Report" narrated by Chet Huntley, and a flip-chart presentation for sales calls on company executives. On the basis of arrangements Mr. Dorsey made with E. J. Dwyer, a member of the committee and chairman of the board, National Association of Manufacturers, the NAM is conducting an intensive drive among its 12,800 member companies to encourage them to organize payroll savings campaigns.

The efforts of the committee have stimulated the largest participation in payroll savings since World War II. The sales of E bonds in the $25 to $200 denominations have risen impressively to more than a billion dollars a year higher than they were before the committee was organized in 1963. In fiscal 1971 2,472,277 employees in private business, State and local governments and civilian employees of the Federal Government were enrolled as new participants or for increases in their payroll savings allotment.

Under the direction of Interdepartmental Chairman Maurice H. Stans, Secretary of Commerce, and Vice Chairman Melvin Laird, Secretary of Defense, a successful spring campaign was conducted among both civilian and military personnel of the Federal Government. Mr. Peter Graves, motion picture and television personality, participated as honorary chairman of the 1971 Federal Payroll Savings Campaign, in the April 8 "Kick-Off Rally" for key workers. During the spring campaign approximately 100,000 civilian employees signed new bond allotments. New bond allotments were signed by approximately 60,000 members of the Armed Forces and 55,000 civilian employees increased their allotments for the purchase of savings bonds. The total civilian and military participation in the program amounted to over 2.9 million as of June 30, 1971.

Chairmen of State savings bonds committees, with North Carolina Chairman Bland W. Worley presiding, met with Treasury officials and members of the American Bankers Association savings bonds committee in a national conference in Washington, D.C., March 4, for wide-ranging discussions of volunteer activities. The ABA savings bonds committee, chaired by Douglas R. Smith, President of the National Savings and Trust Company, Washington, D.C., centered their discussions on the handling of issue and redemption transactions and renewed efforts to promote the sale of savings bonds. The unanimous recommendations of both committees contributed to the Treasury's later decision to grant a third 10-year extension to holders of series E bonds purchased from May 1941 through April 1952.

Funds were committed for program instruction materials to improve service to bondowners and prospective purchasers at the Treasury's 30,000 over-the-counter points of sale and redemption. This program will be equally successful as a segment of interbank personnel training programs in major banks or as the subject of 3-hour seminars offered by some 370 local chapters of the American Institute of Banking throughout the country.

All State Governors continue to serve or, if newly elected, accepted appointment as honorary chairmen of State savings bonds committees. Many of them participated prominently in special ceremonies marking the 30th anniversary, May 1, of the savings bonds program.

The national organizations' program for calendar year 1970–71, again provided a "grass roots" approach whereby participating organizations mailed materials and order cards promoting savings bonds directly to their local unit presidents. In addition, the national, state and local publications of the various organizations carried extensive advertising and editorial materials. The national organizations' committee for savings bonds continued under the chairmanship of Hugh H. Cranford, executive secretary of Optimist International.

During fiscal 1971 the Savings Bonds Division became associated with the All-American Family Search and in August of 1970, the 12th "Mrs. U.S. Savings Bonds" was selected from among the wives of the 51 families participating in the Search. Selected was Mrs. Jeanie

Smith of Tulsa, Oklahoma, who has visited 23 States as ambassador of good will for the Department of the Treasury and the savings bonds program.

During fiscal 1971 a new school kit was produced entitled "Instructional Material for Classroom Use" designed for grades seven through 12. The kits have been distributed to 12 Regional Consumer Education and Family Financial Planning Workshops and they will be introduced into the school systems during the summer months.

Increased participation in the campaign to extend the payroll savings plan was the notable feature of organized labor's continuing support for the savings bonds program. Mr. George Meany, president of the AFL-CIO, provided the leadership for this increased labor participation, with a personal message in an ad that was produced and distributed by the AFL-CIO to all labor publications.

The Advertising Council campaign for bonds is coordinated by Mr. James S. Fish, of General Mills, and includes the creative services of three leading volunteer agencies, the Leo Burnett Company, McCann-Erickson, and Hutchins Advertising. For fiscal 1971 advertising support for the savings bonds program showed continued growth, with the Advertising Council estimating the total value of space and time contributed by media at better than $63 million. Daily and weekly newspapers carried more than 37 million lines of advertising, according to Council figures, and magazines carried more than 6,500 ads. Radio listener impressions were estimated at 1.7 billion and TV home impressions at 2.9 billion.

During the fiscal year some 50 newspapers, including all three of Chicago's dailies, adopted plans for their carriers involving savings bonds, either on a regular thrift club basis or as incentive awards.

Stars of the entertainment world continued to lend their support. Among those making savings bond film trailers for television were Bob Hope, Bing Crosby, Dinah Shore, and Jim Nabors, along with sports stars Johnny Bench and Billy Casper.

An evaluation study on the topic "How can we make the savings bonds program better?" was conducted during April and May, with the final report and recommendations being submitted to the Under Secretary for Monetary Affairs on June 30, 1971. The study was in two parts: (1) A series of 25 group meetings with small ad hoc committees of persons having background as savings bonds volunteers and representing such fields as payroll savings, banking and finance, labor, communications and education; and (2) a consumer survey conducted by the Survey Research Center of the University of Michigan. The study thus combined the expert advice of individuals well versed in the bond program with the views of average members of the public, and provided an unusual opportunity to see how the program looked to the outside world as of the spring of 1971.

The National Committee of Newspaper Publishers and the National Panel on Public Relations for Savings Bonds held their first formal meetings in Washington in September 1970. Current chairman of the Publishers' Committee is Mr. Charles L. Gould, publisher, San Francisco Examiner; Mr. Denny Griswold, editor and publisher, Public Relations News, assumed chairmanship of the Public Relations Panel. Steering committees for both groups were formed; they met in New York City in April, activating programs of package mailings. A series of editorials tailored to national holidays was begun, with initial mailing sent to member publishers. Increased editorial support has been in evidence through special editorials and features. A series of signed, reading-type advertisements by financial writers—with Sylvia Porter and Sam Shulsky leading off—was inaugurated. Close cooperation with the staffs of U.S. News & World Report and Changing Times has resulted in meaningful articles in both publications.

Management improvement

In fiscal 1971 the Division continued the redeployment of positions to areas needing better manpower coverage and reducing coverage in those areas that did not merit it because of the low sales potential. Accordingly, Division offices in Idaho and Vermont were closed. They will be serviced by offices in adjoining States.

Using leased accounting equipment the Division was able to convert from a cash accounting to a bona fide accrual and cost accounting system in fiscal 1971. The system produces card punch data and since the budget accounting and reporting functions of the Division are integrated with those of the Bureau of the Public Debt, the Bureau utilizes its EDP facilities to process the Division's punch cards from which printouts are prepared to reflect the necessary monthly and special financial reports. The new system has permitted the Division to completely eliminate many subsidiary registers and at the same time conform to modern accounting, reporting and budgetary practices without the addition of personnel.

Internal audit program

During fiscal 1971 operational surveys were made in 10 States: Washington, Oregon, Utah, South Dakota, North Dakota, West Virginia, Montana, New Mexico, Wyoming and Ohio. Pursuant to its agreement with the Bureau of the Public Debt that the Bureau conduct audits of fiscal activities, Public Debt initiated an audit of payroll during fiscal 1971.

EDP operations

During fiscal 1971 the Office of Program Planning issued a revised edition of the EDP Procedural Manual, which incorporated several program changes effected during the year; these resulted in a more streamlined version of EDP printouts while at the same time providing more meaningful data for Division use in evaluating sales performance and assigning workloads.

At the end of fiscal 1971 the number of reporting units on the EDP tapes was 38,208, which represents 20,660 interstate units (including branches of companies) and 17,548 intrastate companies. Total employment in these companies is shown as 24,626,607.

In addition to the report on on-plan companies, the Office of Program Planning established a list of no-plan companies covering units of 250 employees or more. This represents a "prospect list" and comprises 1,728 reporting units. Total employment in these companies is approximately 2 million.

Staff development

The Division is implementing a 3-year priority plan to recruit young people for movement up through the ranks. Its primary plan is a current training program employing young college graduates to train them for key sales promotional, managerial and administrative positions. In fiscal 1971 a line management training program entitled, "How to Improve Individual Manager Performance" prepared by the American Management Association, was instituted.

The Office of Program Planning conducted seminars on EDP for both clerical and promotional personnel in six marketing offices around the Nation.

U.S. Secret Service

The major responsibilities of the U.S. Secret Service defined by 18 U.S.C. 3056, are to protect the President of the United States, the members of his immediate family, the President-elect, the Vice President or other officer next in the order of succession to the office of the President, and the Vice President-elect; to protect the person of a former President and his wife during his lifetime, the person of the widow of a former President until her death or remarriage and minor children of a former President until they reach 16 years of age, unless such protection is declined; to protect persons who are determined from time to time by the Secretary of the Treasury, after consultation with the advisory committee, as being major presidential and vice presidential candidates, unless such protection is declined; to protect the person of a visiting head of a foreign state or foreign government and, at the direction of the President, other distinguished foreign visitors to the United States and official representatives of the United States performing special missions abroad; to detect and arrest persons committing any offense against the laws of the United States relating to coins, obligations and securities of the United States and of foreign governments; and to detect and arrest persons violating certain laws relating to the Federal Deposit Insurance Corporation, Federal land banks and Federal land bank associations.

Management improvement

Procedures were developed during fiscal 1971 which enable all field offices to utilize teletype equipment to transmit certain reports to headquarters. This improved method of reporting provides more rapid communication between field offices and headquarters.

A survey was conducted of investigative case file retention periods and, as a result, retention periods for several categories of files were significantly reduced. The most notable was a reduction of the retention period for closed nonjudicial check and bond forgery cases from 10 to 5 years. Field offices are implementing the changes and it has been estimated that the new procedure will result in savings to the Secret Service of $18,000 the first year and $3,000 yearly thereafter.

The extension of responsibilities of the Secret Service into security of foreign diplomatic missions, required the establishment of certain new administrative and statistical record systems for the Executive Protective Service. One such reporting system was an expanded incident reporting system. This system is computer-based and integrated with the Secret Service protective intelligence system.

Significant improvements were made in almost all areas of financial management. A comprehensive financial plan with predetermined targets was developed and carefully monitored throughout the year.

Detailed program specifications necessary to automate the accounting system were developed. The overall design provides for a synchronized system to meet management, accounting, budgeting and program-planning reporting requirements.

Among the improvements in fiscal procedures are: The mailing of checks for travel expenses directly to employees rather than having them returned to the Financial Management Division for distribution; the realignment of the workload with centralized document control, achieving a more effective utilization of manpower; revision of the methods used for the reconciliation of unliquidated obligations, accounts payable and other general ledger accounts; and implementation on June 1, 1971, of statistical sampling in the examination of travel vouchers.

Personnel

During fiscal 1971, the Secret Service made 959 appointments including 595 EPS (Executive Protective Service) officers and 204 special agents. Because of normal attrition the increase of total permanent personnel strength was 753. There were 108 minority EPS officers recruited in the total. This raised the percentage of minority officers from 6 percent to 16.2 percent.

Recruitment requirements were maintained at a high-quality level including the major EPS effort. In this fiscal year there were 40 EPS officers recruited with bachelor's degrees and 18 with associates of arts certificates. The EPS recruitment included the careful screening of 6,500 applicants.

A position classification study of administrative aide positions as they relate to the field offices was completed in April 1971. Standard position descriptions appropriate to offices in six different categories of size and activity were developed, thereby providing the desired stability in duty assignments and grade structure. A similar review was made of special officer positions located at several protective sites. The results achieved were similar to those for the administrative aide positions.

A new EPS merit promotion plan was developed and administered in fiscal 1971. This plan was developed by a committee representing headquarters administrative staff and EPS officers. The function of this committee was to reflect the interests of the EPS officers affected by the plan and the best thinking of management on its policy and processes.

Training

There were 347,894 manhours of training conducted by the Secret Service Training Division for personnel engaged in investigative, protective and administrative functions. In addition, 48,960 manhours of Departmental training, 14,300 manhours of interagency training and 4,958 manhours of nongovernmental training were completed. A total of 416,112 manhours of training were completed by Service personnel during fiscal 1971. This increase of 303,884 manhours of training from fiscal 1970 was due, in large part, to the increased staffing requirements of the EPS.

The Secret Service Training Division provided firearms training to 1,500 recruits for the newly instituted air security program of the Bureau of Customs.

A technical operations briefing program was established in order to make criminal investigators in field offices more proficient in the use of photography equipment and communications gear.

The area of clerical and administrative training has been given more attention. A basic clerical orientation course was developed for newly hired clerk-typists and stenographers, and an administrative aide workshop was conducted to acquaint senior administrative aides in the field offices with the broader responsibilities of the Secret Service and the expansion of their duties in relation to these responsibilities.

Inspection and audit

A review was made of evaluation methods and procedures for general inspections, and the operating manual was updated. A special system was developed for inspection of certain administrative divisions. Other Government agencies requested assistance in establishing or improving their inspection procedures, and permission was granted to use the Secret Service Inspection Procedures Manual.

Inspections and internal audit resulted in improvements in record management, procurement policies, property accountability and other areas. Inspectors represented the Director in projects and surveys of the highest importance. A number of surveys were related to assistance to States in improving dignitary protection, specifically, and security and inspection programs, generally.

Protective responsibilities

The protection of the First Family, the Vice President, former Presidents and their wives, and the minor children of a former President until they reach 16 years of age continued to be the primary protective responsibility of the Secret Service.

As designated by the Secretary of the Treasury, the Secret Service provides operational direction of the EPS. This security force protects the White House, buildings in which Presidential offices are located, the President and his immediate family and foreign diplomatic missions located in the metropolitan area of the District of Columbia.

As a result of the increase in hijackings, the Secret Service was temporarily assigned to participate in providing security aboard American international and domestic airline flights in September 1970.

Also, President Nixon directed the Secret Service to provide protection for the foreign dignitaries visiting the United States during the celebration of the 25th anniversary of the United Nations in October 1970. This temporary assignment led to the most recent permanent protective responsibility. Public Law 91–651, dated January 5, 1971, authorized the Secret Service to "protect the person of a visiting head of a foreign state or foreign government and, at the direction of the President, other distinguished foreign visitors to the United States and official representatives of the United States performing special missions abroad."

Protective intelligence

Increased emphasis was placed on the collection and evaluation of intelligence materials directly related to the responsibilities of protecting foreign dignitaries and foreign missions. This resulted in the receipt of additional data concerning violence directed toward foreign political groups and figures.

Intelligence retrieval and analytical capabilities were improved with the employment of additional intelligence research specialists. Vital information concerning individuals and groups who pose a threat to those protected is now automated and quickly available for immediate retrieval and analysis.

Investigative responsibilities

Counterfeiting activity continues to rise despite increased investigative activity, with counterfeiters producing more counterfeits in each succeeding year. For example, during fiscal 1971, the counterfeiter produced $26.8 million in counterfeit currency—an increase of 88.4 percent over the yearly averages for fiscal years 1967 through 1970. Of this amount, $23.3 million, or 87.1 percent was seized from the counterfeiter before it could be placed in circulation. This represents an increase of 43.2 percent over fiscal 1970, and 97.5 percent over the average seizure figure for the preceding 4 years. Arrests for counterfeiting totaled 1,766—an increase of 27 percent over fiscal 1970.

The following statistical data illustrates the continuing upward trend during this 5-year period:

Fiscal year	Passed on public	Seized before circulation	Total	Counterfeiting arrests
1967	$1,643,137	$8,587,294	$10,230,431	849
1968	2,861,848	10,293,330	13,155,178	1,110
1969	2,964,303	12,096,080	15,060,383	1,295
1970	2,170,343	16,307,804	18,478,147	1,390
Total for preceding 4 years	9,639,631	47,284,508	56,924,139	4,644
Average	2,409,908	11,821,127	14,231,035	1,161
1971	3,471,764	23,345,406	26,817,170	1,766
Increase	1,061,856	11,524,279	12,586,135	605
Percent of increase	44.1	97.5	88.4	52

To continue to be successful in suppressing counterfeiting operations, the Secret Service must operate swiftly and decisively when a new issue of a counterfeit appears in circulation. Consequently, added strength and resources have been allocated to the headquarters Counterfeit Division to more closely monitor each counterfeiting group. In addition, experienced counterfeiting investigators have been assigned to major field offices throughout the Nation so that this Service is equipped to respond effectively in rapidly developing investigations. As a result, the Secret Service was able to suppress plant operations responsible for 81 percent of the losses from new issues of counterfeits which appeared during the past fiscal year.

The following are summaries of counterfeiting cases investigated by this Service during fiscal 1971.

Two off-duty special agents in Acapulco on a protective assignment questioned a suspicious $20 note passed by an American woman at a local curio shop. After determining the note was counterfeit, they detained her until Mexican authorities arrived. Acting on information furnished by the passer, the agents and Mexican authorities arrested two males—one an American citizen—at their hotel, and together with the Mexican police seized over $50,000 in counterfeit notes. The notes had been produced by one of the male defendants at his small print shop in Ohio. Agents in Ohio seized the plant the following day.

In another case, a scrap of correspondence found on a passer in Denver led agents to place a 24-hour surveillance on a small print shop in St. Paul, Minn. The shop was owned by an individual suspected of producing other counterfeits in Las Vegas during the late 1960's. After nearly a week of total inactivity, the agents followed the suspect from his shop to Madison, Wis., nearly 265 miles away and arrested him for passing notes enroute. The defendant admitted producing 14 different types of counterfeit notes.

During February of 1971 an undercover agent was introduced to a suspect in Los Angeles who was offering counterfeit notes for sale. The agent made a small buy and arranged for a larger purchase. Three days later the suspect was arrested while making a $600,000 delivery to the agent. A second suspect at the site of the latter delivery was also apprehended and later identified as the printer of the notes. The total seizure amounted to $1.6 million with only $320 being passed on the public. While awaiting trial, the printer produced a new issue counterfeit and delivered $100,000 to a second undercover agent. Consequently, 3 months after his arrest for the first offense, the printer was rearrested. The seizure in the second case totaled $660,000 with only $940 passed on the public.

The first break in a case involving a particularly troublesome group of counterfeits occurred during September of 1970 when four persons were arrested in Connecticut. Prior to their arrest, a bundle of counterfeit notes had been found on the floor of a car they left to be washed and waxed. One of these persons and three other conspirators were arrested 2 months later in Florida while delivering $250,000 in notes to an undercover agent. Acting on information resulting from the latter arrest, agents identified the plant source as the owner of a large Missouri printing establishment. He was later arrested and subsequently committed suicide. Approximately $1.35 million was seized during this investigation and $180,000 was passed on the public.

In the Service's other area of investigative responsibility—forgery of U.S. Government checks and bonds—there was also increased activity. This Service received for investigation 60,741 checks and 22,193 bonds during fiscal 1971. In comparison to fiscal 1970, these figures represent a 9-percent increase in the number of checks and a 37-percent increase in the number of bonds.

During fiscal 1971, the Department of the Treasury paid 640.5 million checks, a 14.8 million increase over the prior year. In anticipating this increased volume of checks issued (a factor which suggests there will be an increase in the number of checks received for investiation) a greater emphasis was concentrated during the year toward the identification and arrest of multiple forgers. While this approach may be partially responsible for the decrease in the total number of check arrests, from 3,032 in fiscal 1970 to 2,910 in fiscal 1971, it should have a beneficial effect in the future since some very prolific forgers will be out of circulation. Another factor affecting arrest volume is the current tendency in some judicial districts to decline prosecution for check forgery except in aggravated or multiple cases.

Some check forgery cases of special interest, investigated by this Service during the past fiscal year, are described below.

In September of 1970, the director of payroll at a federally financed private college was sentenced to prison for the forgery and utterance of over 400 Treasury checks amounting to approximately $100,000. By manipulating the records, he was able to cause the checks to be issued either to real or fictitious payees. After intercepting the checks, he forged and cashed them as deposits into commerical and personal accounts which he had established. He was eventually apprehended and sentenced to 3–10 years' imprisonment.

In another case, a recidivous female multiple forger was sentenced to prison in September in New York for the theft, forgery and utterance of approximately 170 Treasury checks. She had been released from a Federal prison in April 1970, and committed the offenses involved in this case while supposedly participating in a halfway house program. She forged and cashed the checks, all of which bore New York addresses, in major cities including Boston, Newark, Philadelphia, Los Angeles as well as New York City. She was arrested when she returned to a New York airport to reclaim a piece of lost luggage. The luggage was found to contain 52 stolen Treasury checks.

In the area of bond forgery, this Service arrested 145 persons during fiscal 1971—an increase of 18 percent over the 123 arrested during the prior year. The bonds involved in major investigations by this Service are generally obtained during residential, office and bank burglaries and eventually sold to fences. They provide burglars with a market for the stolen bonds and in turn make them available for sale or consignment to interested forgers.

Savings bonds, which were previously ignored, discarded or destroyed by burglars, are now considered valuable merchandise by the criminal element and are bought and sold on the underworld market at a fraction of their face value. As an incentive in the fencing of bonds, many of the forgers are provided appropriate fictitious identification.

During the year, in conjunction with our forged bond investigations, 6,182 stolen bonds were recovered prior to redemptions. Face value of these bonds amounted to $769,275. Without doubt, a significant number of these bonds would have been forged and cashed had they not been recovered.

The following summaries are examples of the current trend in the investigation of bond forgery cases.

During April, a fugitive bond forgery suspect was arrested at Portland, Oreg. He was responsible for forging and cashing 361 bonds registered to 13 different owners with a total value of $93,325. The forgeries of these bonds were committed in nine States. This same individual was responsible for passing 350 counterfeit bonds valued at $35,000. He has since been prosecuted and sentenced to prison.

In March, an individual, with no criminal record and steady employment, was arrested by the Boston field office for forging and cashing 1,101 bonds in the New England area. The bonds involved, valued at $74,900, were registered to 20 owners. The identity of the forger was established through a photograph obtained from a bank that had utilized surveillance camera equipment. Prosecution in this case has not yet been completed.

A Chicago resident, on parole for previous securities violations, was arrested in September at Mansfield, Ohio, while attempting to cash forged bonds. It had been established that he was responsible for the forging and cashing of 6,971 bonds valued at $459,500. These forgeries were committed in 31 States and involved bonds registered to 47 different owners.

The burglaries and one bank robbery which produced these bonds took place in six States and were obviously fenced by a well-organized criminal operator. A substantial portion of the statistical increase in bond cases during fiscal 1971 can be attributed to this single investigation. This forger has been prosecuted and sentenced to prison.

In a Philadelphia case, five individuals were arrested for forgery and conspiracy involving two $10,000 bonds. Prosecution is pending in this matter. During this investigation it was learned that the surviving co-owner of these bonds, when contacted in Colorado by our agents for interview, was unaware of their existence. The other co-owner, who had originally purchased the two bonds, died in 1962 without informing the survivor of the purchase.

In October of fiscal 1971, all paying agents (over 30,000) of U.S. savings bonds were notified of the Secret Service entry of stolen bonds in the NCIC (National Crime Information Center) program. It was suggested that paying agents make inquiry through police organizations when circumstances arouse suspicion during bond redemption transactions.

This program is expected to be of significant investigative assistance and may have a deterrent effect. At the end of fiscal 1971, 390,935 stolen bonds valued at $24,579,735 were on file in the NCIC. These entries represent the cumulative total of reported stolen bonds which remain outstanding according to records of the Bureau of the Public Debt.

Security investigations

Approximately 1,740 security investigations were opened during fiscal 1971 to meet the needs of the expanding EPS and other Secret Service positions.

Treasury Security Force

The Treasury Security Force, which has the responsibility for securing the Main Treasury Building and Treasury Annex, continued an intensive inservice training program during fiscal 1971. Over 1600 hours were spent on inservice training by the personnel of the Treasury Security Force.

During fiscal 1971, Treasury Security Officers made 41 felony arrests at the Main Treasury Building. The majority of the arrests made were in the main cash room when individuals attempted to forge and cash stolen U.S. Treasury checks. The savings to the Government in preventing the cashing of these forged checks was over $11,000.

Cooperation

The Secret Service continues to participate in the organized crime strike force effort of the Department of Justice. There are 20 special agents assigned to operating strike forces throughout the country. They are presently involved in 102 separate investigations designated as organized crime cases and during fiscal 1971, expended 66,341 man-hours in this category.

During fiscal 1971, the Liaison Division of this Service relocated making it possible to increase the liaison program significantly. This Division is currently maintaining personal liaison with offices and agencies within the executive, judicial and legislative branches of Government and with law enforcement and certain other offices within the local governments in the Washington metropolitan area.

The Secret Service appreciates the outstanding assistance it continues to receive from law enforcement at all levels and from interested citizens in behalf of its protective and investigative responsibilities.

EXHIBITS

439-865 O—71——12

Public Debt Operations, Regulations, and Legislation

Treasury Notes Offered and Allotted

During fiscal 1971 there were no offerings of marketable Treasury certificates of indebtedness or Treasury bonds.

Exhibit 1.—Treasury notes

Three Treasury circulars—one containing an exchange offering, one containing a cash offering with the price established by the Treasury, and one containing an auction for cash with prices established through competitive bidding—are reproduced in this exhibit. Circulars pertaining to the other note offerings during fiscal 1971 are similar in form and therefore are not reproduced in this report. However, essential details for each offering are summarized in the first table following the circulars and the allotment of the new notes will be shown in table 37 in the Statistical Appendix.

DEPARTMENT CIRCULAR NO. 9–70. PUBLIC DEBT

DEPARTMENT OF THE TREASURY,
Washington, July 30, 1970.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, offers $2,750,000,000, or thereabouts, of notes of the United States, designated 7½ percent Treasury Notes of Series C–1972, at 99.95 percent of their face value and accrued interest, if any. In addition to the amount offered for public subscription, the Secretary of the Treasury may allot these notes to Government accounts and Federal Reserve Banks in exchange for the securities hereinafter enumerated. The following securities, maturing August 15, 1970, will be accepted at par in payment, in whole or in part, to the extent subscriptions are alloted by the Treasury:

(1) 6⅜ percent Treasury Notes of Series D–1970; or

(2) 4 percent Treasury Bonds of 1970.

The books will be open only on August 5, 1970, for the receipt of subscriptions.

II. DESCRIPTION OF NOTES

1. The notes will be dated August 17, 1970, and will bear interest from that date at the rate of 7½ percent per annum, payable on a semiannual basis on February 15 and August 15, 1971, and February 15, 1972. They will mature February 15, 1972, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached, and notes registered as to principal and interest, will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of notes of different denominations and of coupon and registered notes, and for the transfer of registered notes, under rules and regulations prescribed by the Secretary of the Treasury.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions accepting the offer made by this circular will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D.C. 20220. Only the Federal Reserve Banks

and the Treasury Department are authorized to act as official agencies. Commercial banks, which for this purpose are defined as banks accepting demand deposits, may submit subscriptions for account of customers provided the names of the customers are set forth in such subscriptions. Others than commercial banks will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be restricted in each case to an amount not exceeding 50 percent of the combined capital (not including capital notes or debentures), surplus and undivided profits of the subscribing bank. Subscriptions will be received without deposit from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon. Subscriptions from all others must be accompanied by payment (in cash or in securities of the issues enumerated in Paragraph 1 of Section I hereof, which will be accepted at par) of 10 percent of the amount of notes applied for, not subject to withdrawal until after allotment. Registered securities submitted as deposits should be assigned as provided in Section V hereof. Following allotment, any portion of the 10 percent payment in excess of 10 percent of the amount of notes allotted may be released upon the request of the subscribers.

2. All subscribers are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any notes of this issue at a specific rate or price, until after midnight, August 5, 1970.

3. Commercial banks in submitting subscriptions will be required to certify that they have no beneficial interest in any of the subscriptions they enter for the account of their customers, and that their customers have no beneficial interest in the banks' subscriptions for their own account.

4. Under the Second Liberty Bond Act, as amended, the Secretary of the Treasury has the authority to reject or reduce any subscription, to allot less than the amount of notes applied for, and to make different percentage allotments to various classes of subscribers when he deems it to be in the public interest; and any action he may take in these respects shall be final. Subject to the exercise of that authority, subscriptions will be allotted:

(1) In full if the subscription is for $200,000 or less; and
(2) On a percentage basis to be publicly announced, but not less than $200,000.

Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at 99.95 percent of their face value and accrued interest, if any, for notes allotted hereunder must be made or completed on or before August 17, 1970, or on later allotment. Payment will not be deemed to have been completed where registered notes are requested if the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security number or an employer identification number) is not furnished. In every case where full payment is not completed, the payment with the application up to 10 percent of the amount of notes allotted shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Payment may be made for any notes allotted hereunder in cash or in securities of the issues enumerated in Paragraph 1 of Section I hereof, which will be accepted at par. A cash adjustment will be made for the difference ($0.50 per $1,000) between the par value of the maturing securities and the issue price of the new notes. The payment will be made by check or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District, following acceptance of the securities. In the case of registered securities, the payment will be made in accordance with the assignments on the securities surrendered. Any qualified depositary will be permitted to make payment by credit in its Treasury Tax and Loan Account for not more than 50 percent of the amount of notes allotted to it for itself and its customers. When payment is made with securities in bearer form, coupons dated August 15, 1970, should be *detached* and cashed when due. When payment is made with registered securities, the final interest due on August 15, 1970, will be paid by issue of interest checks in regular course to holders of record on July 15, 1970, the date the transfer books closed.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. Registered securities tendered as deposits and in payment for notes allotted hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department, in one of the forms hereafter set forth. Securities tendered in payment should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D.C. 20220. The maturing securities must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the securities surrendered, the assignment should be to "The Secretary of the Treasury for 7½ percent Treasury Notes of Series C–1972"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for 7½ percent Treasury Notes of Series C–1972 in the name of ------------------"; if new notes in coupon form are desired, the assignment should be to "The Secretary of the Treasury for 7½ percent Treasury Notes of Series C–1972 in coupon form to be delivered to ------------------."

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make such allotments as may be prescribed by the Secretary of the Treasury, to issue such notices as may be necessary, to receive payment for and make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

DAVID M. KENNEDY,
Secretary of the Treasury.

DEPARTMENT CIRCULAR NO. 12–70. PUBLIC DEBT

DEPARTMENT OF THE TREASURY,
Washington, October 30, 1970.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites tenders at a price not less than 99.76 percent of their face value for $2,000,000,000, or thereabouts, of notes of the United States, designated 6¾ percent Treasury Notes of Series D–1972. Tenders will be received up to one-thirty p.m., Eastern Standard time, Thursday, November 5, 1970. The notes will be issued under competitive and noncompetitive bidding, as set forth in Section III hereof. The 5 percent Treasury Notes of Series A–1970, maturing November 15, 1970, will be accepted at par in payment, in whole or in part, to the extent subscriptions are allotted by the Treasury.

II. DESCRIPTION OF NOTES

1. The notes will be dated November 16, 1970, and will bear interest from that date at the rate of 6¾ percent per annum, payable on a semiannual basis on May 15 and November 15, 1971, and May 15, 1972. They will mature May 15, 1972, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached, and notes registered as to principal and interest, will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of notes of different denominations and of coupon and registered notes, and for the transfer of registered notes, under rules and regulations prescribed by the Secretary of the Treasury.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. TENDERS AND ALLOTMENTS

1. Tenders will be received at Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D.C. 20220, up to the closing hour, one-thirty p.m., Eastern Standard time, Thursday, November 5, 1970. Each tender must state the face amount of notes bid for, which must be $1,000 or a multiple thereof, and the price offered, except that in the case of noncompetitive tenders the term "noncompetitive" should be used in lieu of a price. In the case of competitive tenders, the price must be expressed on the basis of 100, with two decimals, e.g., 100.00. Tenders at a price less than 99.76 will not be accepted. Fractions may not be used. Noncompetitive tenders from any one bidder may not exceed $200,000. It is urged that tenders be made on the printed forms and forwarded in the special envelopes marked "Tender for Treasury Notes", which will be supplied by Federal Reserve Banks on application therefor.

2. Commercial banks, which for this purpose are defined as banks accepting demand deposits, may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than commercial banks will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, and Government accounts. Tenders from others must be accompanied by payment (in cash or 5 percent Treasury Notes of Series A–1970, which will be accepted at par) of 5 percent of the face amount of notes applied for.

3. Immediately after the closing hour tenders will be opened, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. In considering the acceptance of tenders, the highest prices offered will be accepted in full down to the amount required, and if the same price appears in two or more tenders, and it is necessary to accept only a part of the amount offered at such price, the amount accepted at such price will be prorated in accordance with the respective amounts applied for. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price* (in two decimals) of accepted competitive tenders.

4. All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any notes of this issue at a specific rate or price, until after one-thirty p.m., Eastern Standard time, Thursday, November 5, 1970.

5. Commercial banks in submitting tenders will be required to certify that they have no beneficial interest in any of the tenders they enter for the account of their customers, and that their customers have no beneficial interest in the banks' tenders for their own account.

IV. PAYMENT

1. Settlement for accepted tenders in accordance with the bids must be made or completed on or before November 16, 1970, at the Federal Reserve Bank or Branch or at the Office of the Treasurer of the United States, Washington, D.C. 20220, in cash, 5 percent Treasury Notes of Series A–1970 (interest coupons dated November 15, 1970, should be detached), or other funds immediately available by that date. Payment will not be deemed to have been completed where registered notes are requested if the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security number or an employer identification number) is not furnished. In every case where full payment is not completed, the payment with the tender up to 5 percent of the amount of notes allotted

*Average price may be at, or more or less than 100.00.

shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make settlement by credit in its Treasury Tax and Loan Account for not more than 50 percent of notes allotted to it for itself and its customers. When payment is made with notes of Series A–1970, a cash adjustment will be made to or required of the bidder for any difference between the face amount of notes submitted and the amount payable on the notes allotted.

V. ASSIGNMENT OF REGISTERED NOTES

1. Registered notes tendered as deposits and in payment for notes allotted hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department, in one of the forms hereafter set forth. Notes tendered in payment should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D.C. 20220. The maturing notes must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the notes surrendered, the assignment should be to "The Secretary of the Treasury for 6¾ percent Treasury Notes of Series D–1972"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for 6¾ percent Treasury Notes of Series D–1972 in the name of ____________"; if new notes in coupon form are desired, the assignment should be to "The Secretary of the Treasury for 6¾ percent Treasury Notes of Series D–1972 in coupon form to be delivered to ___________."

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive tenders, to make such allotments as may be prescribed by the Secretary of the Treasury, to issue such notices as may be necessary, to receive payment for and make delivery of notes on full-paid tenders allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

CHARLS E. WALKER,
Acting Secretary of the Treasury.

DEPARTMENT CIRCULAR NO. 2–71. PUBLIC DEBT

DEPARTMENT OF THE TREASURY,
Washington, January 21, 1971.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, offers notes of the United States, designated 6¼ percent Treasury Notes of Series A–1978, at par, in exchange for the following securities, singly or in combinations aggregating $1,000 or multiples thereof:

(1) 5⅝ percent Treasury Notes of Series C–1971, due February 15, 1971;
(2) 7¾ percent Treasury Notes of Series D–1971, due February 15, 1971;
(3) 2½ percent Treasury Bonds of 1966–71, due March 15, 1971, with a cash payment of $1.50 per $1,000 to the United States;
(4) 5⅜ percent Treasury Notes of Series B–1971, due November 15, 1971, with a cash payment of $6.00 per $1,000 to subscribers;
(5) 7¾ percent Treasury Notes of Series G–1971, due November 15, 1971, with a cash payment of $23.00 per $1,000 to subscribers;
(6) 3⅞ percent Treasury Bonds of 1971, due November 15, 1971, with a cash payment of $5.00 per $1,000 to the United States;
(7) 4¾ percent Treasury Notes of Series A–1972, due February 15, 1972, with a cash payment of $0.50 per $1,000 to subscribers;
(8) 7½ percent Treasury Notes of Series C–1972, due February 15, 1972, with a cash payment of $26.50 per $1,000 to subscribers; or
(9) 4 percent Treasury Bonds of 1972, due February 15, 1972, with a cash payment of $5.00 per $1,000 to the United States.

Interest will be adjusted on the securities due March 15, 1971, November 15, 1971, and February 15, 1972, as of February 15, 1971. Payments on account of accrued interest and cash adjustments will be made as set forth in section IV hereof. The amount of this offering will be limited to the amount of eligible securities tendered in exchange. The books will be open until 8:00 p.m., local time, January 27, 1971, for the receipt of subscriptions.

2. In addition, holders of the securities enumerated in paragraph 1 of this section are offered the privilege of exchanging all or any part of them for 5⅞ percent Treasury Notes of Series C-1975, which offering is set forth in Department Circular, Public Debt Series—No. 1-71, issued simultaneously with this circular.

II. DESCRIPTION OF NOTES

1. The notes will be dated February 15, 1971, and will bear interest from that date at the rate of 6¼ percent per annum, payable semiannually on August 15, 1971, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature February 15, 1978, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached, and notes registered as to principal and interest, will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of notes of different denominations and of coupon and registered notes, and for the transfer of registered notes, under rules and regulations prescribed by the Secretary of the Treasury.

5. The notes will be subject to the general regulations of the Department of the Treasury, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions accepting the offer made by this circular will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D.C. 20220. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Department of the Treasury are authorized to act as official agencies.

2. Under the Second Liberty Bond Act, as amended, the Secretary of the Treasury has the authority to reject or reduce any subscription, and to allot less than the amount of notes applied for when he deems it to be in the public interest; and any action he may take in these respects shall be final. Subject to the exercise of that authority, all subscriptions will be allotted in full.

IV. PAYMENT

1. Payment for the face amount of notes allotted hereunder must be made on or before February 16, 1971, or on later allotment, and may be made only in a like face amount of securities of the issues enumerated in paragraph 1 of section I hereof, which should accompany the subscription. Payment will not be deemed to have been completed where registered notes are requested if the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security number or an employer identification number) is not furnished. Payments due to subscribers (paragraphs 3, 4, 5, 6, 7 and 8 below) will be made by check or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District following acceptance of the securities surrendered. In the case of registered securities, the payment will be made in accordance with the assignments thereon. Payments due from subscribers (paragraph 9 below) should accompany the subscription.

2. *5⅜ percent notes of Series C-1971 and 7¾ percent notes of Series D-1971.*—When payment is made with notes in bearer form, coupons dated February 15, 1971, should be *detached* and cashed when due.[1]

3. *2½ percent bonds of 1966-71.*—When payment is made with bonds in bearer form, coupons dated March 15, 1971, must be *attached* to the bonds when sur-

[1] See footnote on p. 161.

rendered. Accrued interest from September 15, 1970, to February 15, 1971 ($10.56630 per $1,000), will be credited, the payment ($1.50 per $1,000) due the United States will be charged and the difference ($9.06630 per $1,000) will be paid to subscribers.

4. *5⅝ percent notes of Series B–1971.*—When payment is made with notes in bearer form, coupons dated May 15 and November 15, 1971, must be *attached* to the notes when surrendered. Accrued interest from November 15, 1970, to February 15, 1971 ($13.66022 per $1,000), plus the cash payment ($6.00 per $1,000), a total of $19.66022 per $1,000, will be paid to subscribers.

5. *7¾ percent notes of Series G–1971.*—When payment is made with notes in bearer form, coupons dated May 15 and November 15, 1971, must be *attached* to the notes when surrendered. Accrued interest from November 15, 1970, to February 15, 1971 ($19.69613 per $1,000), plus the cash payment $23.00 per $1,000), a total of $42.69613 per $1,000, will be paid to subscribers.

6. *3⅞ percent bonds of 1971.*—When payment is made with bonds in bearer form, coupons dated May 15 and November 15, 1971, must be *attached* to the bonds when surrendered. Accrued interest from November 15, 1970, to February 15, 1971 ($9.84807 per $1,000), will be credited, the payment ($5.00 per $1,000) due the United States will be charged and the difference ($4.84807 per $1,000) will be paid to subscribers.

7. *4¾ percent notes of Series A–1972.*—When payment is made with notes in bearer form, coupons dated August 15, 1971, and February 15, 1972, must be *attached* (February 15, 1971, coupons should be *detached*[1]) to the notes when surrendered. The cash payment of $0.50 per $1,000 will be paid to subscribers.

8. *1½ percent notes of Series C–1972.*—When payment is made with notes in bearer form, coupons dated August 15, 1971, and February 15, 1972, must be *attached* (February 15, 1971, coupons should be *detached*[1]) to the notes when surrendered. The cash payment of $26.50 per $1,000 will be paid to subscribers.

9. *4 percent bonds of February 15, 1972.*—When payment is made with bonds in bearer form, coupons dated August 15, 1971, and February 15, 1972, must be *attached* (February 15, 1971, coupons should be *detached*[1]) to the bonds when surrendered. The cash payment of $5.00 per $1,000 due the United States must be paid by subscribers.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. Registered securities tendered in payment for notes offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Department of the Treasury governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be surrendered with the subscription to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D.C. 20220. The securities must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the securities surrendered, the assignment should be to "The Secretary of the Treasury for exchange for 6¼ percent Treasury Notes of Series A–1978"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 6¼ percent Treasury Notes of Series A–1978 in the name of ——————"; if new notes in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for 6¼ percent Treasury Notes of Series A–1978 in coupon form to be delivered to ——————."

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make such allotments as may be prescribed by the Secretary of the Treasury, to issue such notices as may be necessary, to receive payment for and make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

DAVID M. KENNEDY,
Secretary of the Treasury.

[1] Interest due on February 15, 1971, on registered securities will be paid by issue of interest checks in regular course to holders of record on January 15, 1971, the date the transfer books closed.

Summary of information pertaining to Treasury notes issued during fiscal year 1971

Date of preliminary announcement	Department circular		Concurrent offering circular No.	Treasury notes issued for exchange or for cash	Date of issue	Date of maturity	Date subscription books closed	Allotment payment date on or before (or on later allotment)
	No.	Date						
1970		*1970*			*1970*		*1970*	*1970*
July 29	7-70	July 30	8-70, 9-70	7¾ percent Series C-1974 at par in exchange for	Aug. 15	Feb. 15, 1974	Aug. 5	Aug. 17
				6⅜ percent Series D-1970 notes maturing Aug. 15, 1970.				
				4 percent bonds maturing Aug. 15, 1970.				
July 29	8-70	July 30	7-70, 9-70	7¾ percent Series B-1977 at 99.75 in exchange for	Aug. 15	Aug. 15, 1977	Aug. 5	Aug. 17
				6⅜ percent Series D-1970 notes maturing Aug. 15, 1970.				
				4 percent bonds maturing Aug. 15, 1970.				
July 29	9-70	July 30	7-70, 8-70	7½ percent Series C-1972 at 99.95 for cash [1]	Aug. 15	Feb. 15, 1972	Aug. 5	Aug. 17
Oct. 22	10-70	Oct. 23	11-70	7¼ percent Series D-1974 at par in exchange for	Nov. 15	May 15, 1974	Oct. 29	Nov. 16
				5 percent Series A-1970 notes maturing Nov. 15, 1970.	*1969*			
Oct. 22	11-70	Oct. 23	10-70	7½ percent Series C-1976 at 100.50 in exchange for	Oct. 1 [2]	Aug. 15, 1976	Oct. 29	Nov. 16
				5 percent Series A-1970 notes maturing Nov. 15, 1970.	*1970*			
Oct. 29	12-70	Oct. 30		6¾ percent Series D-1972 at 100.76 (average) for cash [3]	Nov. 16	May 15, 1972	Nov. 5	Nov. 16
1971		*1971*			*1971*		*1971*	*1971*
Jan. 20	1-71	Jan. 21	2-71	5⅞ percent Series C-1975 at par in exchange for	Feb. 15	Aug. 15, 1975	Jan 27	Feb. 16
				5⅝ percent Series C-1971 notes maturing Feb. 15, 1971.				
				7¾ percent Series D-1971 notes maturing Feb. 15, 1971.				
				2½ percent bonds maturing Mar. 15, 1971.[4]				
				5⅜ percent Series B-1971 notes maturing Nov. 15, 1971.[5]				
				7¾ percent Series G-1971 notes maturing Nov. 15, 1971.[6]				
				3⅞ percent bonds maturing Nov. 15, 1971.[7]				
				4¾ percent Series A-1972 notes maturing Feb. 15, 1972.[8]				
				7½ percent Series C-1972 notes maturing Feb. 15, 1972.[9]				
				4 percent bonds maturing Feb. 15, 1972.[10]				

Jan. 20	2-71	Jan. 21	1-71	6¼ percent Series A-1978 at par in exchange for [11]	Feb. 15	Feb. 15, 1978	Jan. 27	Feb. 16
				5⅜ percent Series C-1971 notes maturing Feb. 15, 1971.				
				7¾ percent Series D-1971 notes maturing Feb. 15, 1971.				
				2½ percent bonds maturing Mar. 15, 1971.				
				5⅜ percent Series B-1971 notes maturing Nov. 15, 1971.				
				7¾ percent Series G-1971 notes maturing Nov. 15, 1971.				
				3⅞ percent bonds maturing Nov. 15, 1971.				
				4¾ percent Series A-1972 notes maturing Feb. 15, 1972.				
				7½ percent Series C-1972 notes maturing Feb. 15, 1972.				
				4 percent bonds maturing Feb. 15, 1972.				
Apr. 28	3-71	Apr. 29	4-71	5 percent Series E-1972 at par in exchange for	May 15	Aug. 15, 1972	May 5	May 17
				5¼ percent Series A-1971 notes maturing May 15, 1971.				
				8 percent Series E-1971 notes maturing May 15, 1971.				
					1967			
Apr. 28	4-71	Apr. 29	3-71	5¾ percent Series A-1974 at 99.60 in exchange for	Nov. 15 [12]	Nov. 15, 1974	May 5	May 17
				5¼ percent Series A-1971 notes maturing May 15, 1971.				
				8 percent Series E-1971 notes maturing May 15, 1971.				
					1971			
June 16	5-71	June 17		6 percent Series F-1972 at 100.00 (average) for cash [13]	June 29	Nov. 15, 1972	June 22	June 29

[1] See Department Circular No. 9-70 in this exhibit for provisions for subscription and payment.

[2] Interest was payable from Nov. 15, 1970.

[3] These notes were sold at auction at prices ranging from 100.93 to 100.69. See Department Circular No. 12-70 in this exhibit for provisions for tenders and payments.

[4] Subscribers exchanging these bonds were credited with interest from Sept. 15, 1970, to Feb. 15, 1971 ($10.56630 per $1,000) and charged a cash payment of $1.50 per $1,000 for a net payment to them of $9.06630 per $1,000 of bonds.

[5] Subscribers exchanging these notes were credited with interest from Nov. 15, 1970, to Feb. 15, 1971 ($13.66022 per $1,000) plus a cash payment of $6.00 per $1,000 for a total payment of $19.66022 per $1,000 of notes.

[6] Subscribers exchanging these notes were credited with interest from Nov. 15, 1970, to Feb. 15, 1971 ($19.69613 per $1,000) plus a cash payment of $23.00 per $1,000 for a total payment of $42.69613 per $1,000 of notes.

[7] Subscribers exchanging these bonds were credited with interest from Nov. 15, 1970, to Feb. 15, 1971 ($9.84807 per $1,000) and charged a cash payment of $5.00 per $1,000 for a net payment to them of $4.84807 per $1,000 of bonds.

[8] Subscribers exchanging these notes were given a cash payment of $0.50 per $1,000 of notes.

[9] Subscribers exchanging these notes were given a cash payment of $26.50 per $1,000 of notes.

[10] Subscribers exchanging these bonds had to make a cash payment of $5.00 per $1,000 of bonds.

[11] See Department Circular No. 2-71 in this exhibit for provisions for subscription and payment.

[12] Interest was payable from May 15, 1971.

[13] These notes were sold at auction at prices ranging from 100.38 to 99.93. Noncompetitive tenders for $200,000 or less were accepted in full at the average price of accepted competitive tenders. Qualified depositaries were permitted to make settlement by credit in their Treasury tax and loan account for all notes allotted to them for their own account or their customers' accounts. Other provisions for tenders and payments were similar to those contained in Department Circular No. 12-70 which is included in this exhibit.

Treasury Bills Offered and Tenders Accepted

Exhibit 2.—Treasury bills

During the fiscal year there were 52 weekly issues of 13-week and 26-week bills (the 13-week bills represent additional amounts of bills with an original maturity of 26 weeks), 12 monthly issues of 9-month and 1-year bills (the 9-month bills represent additional amounts of bills with an original maturity of 1 year), four issues of tax anticipation series and five issues of a strip of additional amounts of outstanding issues. Two press releases inviting tenders are reproduced in this exhibit. The release of May 4, 1971, is representative of releases for regular weekly, regular monthly, and tax anticipation series issues whereas the release of May 14, 1971, is for a strip of issues. Also reproduced is the press release of May 10, 1971, which is representative of releases announcing the results of the offerings. Following the press releases is a table of data for each issue during the fiscal year.

PRESS RELEASE OF MAY 4, 1971

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $3,400,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 13, 1971, in the amount of $3,403,620,000, as follows:

91-day bills (to maturity date) to be issued May 13, 1971, in the amount of $2,000,000,000, or thereabouts, representing an additional amount of bills dated February 11, 1971, and to mature August 12, 1971 (CUSIP No. 912793 LD6) originally issued in the amount of $1,400,250,000 (an additional $200,520,000 was issued April 6, 1971), the additional and original bills to be freely interchangeable.

182-day bills, for $1,400,000,000, or thereabouts, to be dated May 13, 1971, and to mature November 11, 1971, (CUSIP No. 912793 LR5).

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, 1:30 p.m., eastern daylight saving time, Monday, May 10, 1971. Tenders will not be received at the Treasury Department, Washington. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Only those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 13, 1971, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 13, 1971. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder must include in his income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Treasury Department Circular No. 418 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

PRESS RELEASE OF MAY 14, 1971

The Treasury Department, by this public notice, invites tenders for additional amounts of eight series of Treasury bills to the aggregate amount of $1,600,000,000, or thereabouts, for cash. The additional bills will be issued May 25, 1971, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

Amount of additional issue	Original issue dates	Maturity dates 1971	CUSIP Nos.	Days from May 25, 1971 to maturity	Amount currently outstanding (in millions)
$200,000,000	Dec. 24, 1970	June 24	912793KP0	30	$3,504
200,000,000	Dec. 31, 1970	July 1	912793KQ8	37	3,503
200,000,000	Jan. 7, 1971	July 8	912793KX3	44	3,603
200,000,000	Jan. 14, 1971	July 15	912793KY1	51	3,609
200,000,000	Jan. 21, 1971	July 22	912793KZ8	58	3,602
200,000,000	Jan. 28, 1971	July 29	912793LA2	65	3,602
200,000,000	Feb. 4, 1971	Aug. 5	912793LC8	72	3,606
200,000,000	Feb. 11, 1971	Aug. 12	912793LD6	79	3 601
1,600,000,000			Average	54.5	

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the minimum amount of $80,000. Tenders over $80,000 must be in multiples of $40,000. One-eighth of the amount tendered will be applied to each of the above series of bills.

The bills offered hereunder will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, 1:30 p.m., eastern daylight saving time, Wednesday, May 19, 1971. Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each tender. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of these additional issues at a specific rate or price, until after 1:30 p.m., eastern daylight saving time, Wednesday, May 19, 1971.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Only those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less (in amounts as set forth in the second paragraph) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on May 25, 1971. Any qualified depositary will be permitted to make settlement by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder must include in his income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made. Purchasers of a strip of the bills offered hereunder should, for tax purposes, take such bills on to their books on the basis of their purchase price prorated to each of the eight outstanding issues using as a basis for proration the closing market prices for each of the issues on May 25, 1971. (Federal Reserve Banks will have available a list of these market prices, based on the mean between the bid and asked quotations furnished by the Federal Reserve Bank of New York.)

Treasury Department Circular No. 418 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

PRESS RELEASE OF MAY 10, 1971

The Treasury Department announced that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 11, 1971, and the other series to be dated May 13, 1971, which were offered on May 4, 1971, were opened at the Federal Reserve Banks today. Tenders were invited for $2,000,000,000, or thereabouts, of 91-day bills and for $1,400,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

Range of accepted competitive bids	91-day Treasury bills maturing Aug. 12, 1971		182-day Treasury bills maturing Nov. 11, 1971	
	Price	Approximate equivalent annual rate	Price	Approximate equivalent annual rate
		Percent		*Percent*
High	$99.047	3.770	$97.911	4.132
Low	99.015	3.897	97.883	4.187
Average	[1] 99.024	[3] 3.861	[2] 97.888	[3] 4.178

[1] 63% of the amount of 91-day bills bid for at the low price was accepted.
[2] 20% of the amount of 182-day bills bid for at the low price was accepted.
[3] These rates are on a bank discount basis. The equivalent coupon issue yields are 3.96% for the 91-day bills, and 4.34% for the 182-day bills.

Total tenders applied for and accepted by Federal Reserve districts:

District	Applied for	Accepted	Applied for	Accepted
Boston	$20,155,000	$10,155,000	$17,755,000	$4,255,000
New York	2,414,830,000	1,547,360,000	2,184,940,000	1,226,440,000
Philadelphia	36,675,000	21,675,000	4,305,000	4,305,000
Cleveland	23,790,000	23,550,000	33,890,000	28,290,000
Richmond	15,150,000	14,030,000	15,520,000	5,520,000
Atlanta	45,420,000	37,430,000	29,020,000	13,800,000
Chicago	213,870,000	144,320,000	179,395,000	54,995,000
St. Louis	60,460,000	53,960,000	40,355,000	18,655,000
Minneapolis	20,235,000	19,235,000	6,340,000	4,340,000
Kansas City	24,675,000	22,230,000	12,730,000	12,475,000
Dallas	37,855,000	20,855,000	31,745,000	10,745,000
San Francisco	162,045,000	85,375,000	97,860,000	16,360,000
Total	3,075,160,000	[1] 2,000,175,000	2,653,855,000	[2] 1,400,180,000

[1] Includes $227,090,000 noncompetitive tenders accepted at the average price of 99.024.
[2] Includes $103,495,000 noncompetitive tenders accepted at the average price of 97.888.

Summary of information pertaining to Treasury bills issued during the fiscal year 1971

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity [1]	Maturity value: Total applied for	Maturity value: Tenders accepted: Total accepted	Maturity value: Tenders accepted: On competitive basis	Maturity value: Tenders accepted: On noncompetitive basis	Prices and rates: Total bids accepted: Average price per hundred	Prices and rates: Total bids accepted: Equivalent average rate (percent)	Prices and rates: Competitive bids accepted: High: Price per hundred	Prices and rates: Competitive bids accepted: High: Equivalent rate (percent)	Prices and rates: Competitive bids accepted: Low: Price per hundred	Prices and rates: Competitive bids accepted: Low: Equivalent rate (percent)	Amount maturing on issue date of new offering
REGULAR WEEKLY													
1970													
July 2	Oct. 1, 1970	91	$2,356,540	$1,806,580	$1,461,660	$344,920	98.377	6.422	98.407	6.302	98.359	6.492	$1,800,270
2	Dec. 31, 1970	182	2,659,280	1,303,120	1,051,010	252,110	96.662	6.602	96.672	6.583	96.654	6.618	1,202,671
9	Oct. 8, 1970	91	2,380,700	1,800,530	1,410,390	390,140	98.321	6.643	[2] 98.360	6.488	98.300	6.725	1,801,980
9	Jan. 7, 1971	182	2,170,300	1,311,020	972,060	338,960	96.635	6.657	96.704	6.520	96.612	6.702	1,207,360
16	Oct. 15, 1970	91	2,915,630	1,803,330	1,342,940	460,390	98.345	6.547	98.367	6.460	98.339	6.571	1,802,350
16	Jan. 14, 1971	182	2,872,840	1,304,530	922,150	382,380	96.641	6.644	96.649	6.628	98.639	6.648	1,205,324
23	Oct. 22, 1970	91	3,013,870	1,801,740	1,377,840	423,900	98.386	6.385	98.393	6.357	98.381	6.405	1,802,700
23	Jan. 21, 1971	182	2,457,660	1,300,110	991,990	308,120	96.743	6.442	96.754	6.421	96.740	6.448	1,204,197
30	Oct. 29, 1970	91	2,662,410	1,801,110	1,411,310	389,800	98.396	6.347	98.408	6.298	98.387	6.381	1,801,200
30	Jan. 28, 1971	182	2,465,020	1,300,670	1,057,420	243,250	96.750	6.429	96.767	6.395	96.746	6.436	1,200,395
Aug. 6	Nov. 5, 1970	91	2,631,600	1,810,900	1,453,100	357,800	98.379	6.414	98.396	6.345	98.370	6.448	1,800,730
6	Feb. 4, 1971	182	2,056,040	1,299,640	1,088,360	211,280	96.716	6.495	96.749	6.431	96.690	6.547	1,202,619
13	Nov. 12, 1970	91	2,498,660	1,800,600	1,419,870	380,730	98.354	6.511	[2] 98.365	6.468	98.342	6.559	1,802,030
13	Feb. 11, 1971	182	2,475,800	1,302,530	1,090,720	211,810	96.622	6.681	[2] 96.638	6.650	96.618	6.690	1,200,644
20	Nov. 19, 1970	91	2,946,190	1,803,300	1,421,920	381,380	98.350	6.526	[2] 98.365	6.468	98.346	6.543	1,789,770
20	Feb. 18, 1971	182	2,515,130	1,297,710	1,077,610	220,100	96.670	6.587	96.678	6.571	96.662	6.603	1,197,585
27	Nov. 27, 1970	91	2,659,650	1,791,120	1,431,450	359,670	98.416	6.197	98.445	6.085	98.408	6.230	1,801,980
27	Feb. 25, 1971	182	2,588,390	1,402,560	1,209,670	192,890	96.796	6.338	96.818	6.294	96.787	6.355	1,300,775
Sept. 3	Dec. 3, 1970	91	2,379,875	1,801,525	1,453,640	347,885	98.397	6.342	98.408	6.298	98.383	6.397	1,800,910
3	Mar. 4, 1971	182	2,075,205	1,400,355	1,221,650	178,705	96.710	6.507	96.727	6.474	96.686	6.555	1,301,680
10	Dec. 10, 1970	91	2,758,025	1,804,690	1,486,800	317,890	98.391	6.366	98.408	6.298	98.384	6.393	1,803,040
10	Mar. 11, 1971	182	2,980,205	1,404,690	1,235,210	169,480	96.686	6.555	[2] 96.693	6.541	96.677	6.573	1,301,270
17	Dec. 17, 1970	91	2,714,275	1,801,380	1,418,060	383,320	98.404	6.314	98.416	6.266	98.396	6.345	1,802,570
17	Mar. 18, 1971	182	2,608,205	1,401,635	1,197,210	204,425	96.717	6.494	96.744	6.440	96.708	6.512	1,303,370
24	Dec. 24, 1970	91	2,999,305	1,805,060	1,424,650	380,410	98.495	5.955	98.509	5.898	98.491	5.970	1,801,070
24	Mar. 25, 1971	182	2,524,775	1,395,160	1,196,135	199,025	96.845	6.241	98.868	6.195	96.836	6.258	1,302,370
Oct. 1	Dec. 31, 1970	91	2,453,350	1,800,935	1,463,140	337,795	98.532	5.809	98.553	5.724	98.511	5.891	1,806,580

	1971												
1	Apr. 1	182	2,485,635	1,400,685	1,191,550	209,135	96.778	6.373	[2] 96.804	6.322	96.766	6.397	1,301,180
8	Jan. 7	91	2,449,185	1,802,095	1,467,175	334,920	98.477	6.024	98.506	5.910	98.457	6.104	1,800,530
8	Apr. 8	182	2,561,595	1,402,025	1,162,380	239,645	96.758	6.412	96.780	6.369	97.746	6.436	1,304,990
15	Jan. 14	91	2,780,230	1,802,480	1,481,010	321,470	98.476	6.029	[2] 98.488	5.982	98.466	6.069	1,803,330
15	Apr. 15	182	3,443,600	1,404,245	1,195,310	208,935	96.853	6.224	96.870	6.191	96.850	6.231	1,300,850
22	Jan. 21	91	3,156,350	1,801,330	1,411,465	389,865	98.498	5.943	98.504	5.918	98.494	5.958	1,801,740
22	Apr. 22	182	2,100,455	1,401,285	1,169,895	231,390	96.902	6.129	96.930	6.073	96.886	6.160	1,302,550
29	Jan. 28	91	2,614,970	1,800,285	1,463,455	336,830	98.526	5.830	98.539	5.780	98.516	5.871	1,801,110
29	Apr. 29	182	2,908,520	1,400,925	1,212,910	188,015	96.908	6.117	96.911	6.110	96.902	6.128	1,301,230
Nov. 5	Feb. 4	91	3,230,045	1,829,720	1,490,000	339,720	98.571	5.655	98.577	5.629	98.568	5.665	1,801,900
5	May 6	182	2,447,960	1,402,410	1,201,060	201,350	97.082	5.772	97.114	5.709	97.078	5.780	1,301,030
12	Feb. 11	91	2,877,540	1,802,740	1,476,105	326,635	98.620	5.461	[2] 98.632	5.412	98.614	5.483	1,800,600
12	May 13	182	2,940,020	1,400,925	1,213,650	187,275	97.142	5.653	97.160	5.618	97.137	5.663	1,301,680
19	Feb. 18	91	2,940,225	1,801,385	1,471,385	330,000	98.665	5.283	[2] 98.675	5.242	98.657	5.313	1,803,300
19	May 20	182	3,272,110	1,403,485	1,242,230	161,255	97.267	5.405	97.282	5.376	97.265	5.410	1,303,530
27	Feb. 25	90	2,839,205	1,900,725	1,587,685	313,040	98.810	4.759	98.829	4.684	98.797	4.812	1,791,120
27	May 27	181	2,470,090	1,400,490	1,250,390	150,100	97.559	4.855	97.599	4.775	97.546	4.881	1,300,780
	Jan. 7	36											
	Jan. 14	43											
	Jan. 21	50											
Dec. 2[3]	Jan. 28	57	3,559,990	2,104,795	1,831,865	272,930	99.257	4.695	99.303	4.402	99.240	4.800	....
	Feb. 4	64											
	Feb. 11	71											
	Feb. 18	78											
Dec. 3	Mar. 4	91	3,527,410	1,903,435	1,626,600	276,835	98.715	5.083	[2] 98.725	5.044	98.708	5.111	1,801,525
3	June 3	182	2,319,660	1,398,610	1,270,195	128,415	97.483	4.979	97.500	4.945	97.462	5.020	1,306,400
10	Mar. 11	91	2,840,770	1,901,380	1,597,140	304,240	98.766	4.883	98.781	4.822	98.756	4.921	1,804,690
10	June 10	182	2,069,350	1,400,625	1,262,015	138,610	97.536	4.874	97.566	4.815	97.512	4.921	1,302,860
17	Mar. 18	91	2,882,610	1,900,590	1,566,805	333,785	98.793	4.776	98.801	4.743	98.787	4.799	1,801,380
17	June 17	182	2,343,435	1,399,985	1,259,420	140,565	97.581	4.785	97.598	4.751	97.577	4.793	1,302,670
24	Mar. 25	91	2,928,215	1,909,635	1,649,815	259,820	98.805	4.726	98.817	4.680	98.798	4.755	1,805,060
24	June 24	182	2,363,800	1,403,800	1,293,920	109,880	97.591	4.765	97.612	4.724	97.574	4.799	1,302,570
31	Apr. 1	91	2,646,090	1,904,380	1,608,455	295,925	98.779	4.830	[3] 98.800	4.747	98.762	4.898	1,800,935
31	July 1	182	2,010,420	1,402,020	1,288,445	113,575	97.555	4.836	97.590	4.767	97.524	4.898	1,303,120
1971													
Jan. 7	Apr. 8	91	3,150,135	2,002,420	1,705,870	296,550	98.756	4.921	[2] 98.779	4.830	98.747	4.957	[4] 1,802,095
7	July 8	182	2,865,055	1,401,705	1,278,445	123,260	97.509	4.927	[2] 97.530	4.886	97.500	4.945	1,311,020
14	Apr. 15	91	3,209,935	2,003,445	1,667,130	336,315	98.827	4.640	98.839	4.593	98.823	4.656	[4] 1,802,480
14	July 15	182	2,944,715	1,407,895	1,248,680	159,215	97.658	4.633	97.678	4.593	97.655	4.638	1,304,530
21	Apr. 22	91	2,995,795	2,002,185	1,691,185	311,000	98.935	4.214	98.952	4.146	98.926	4.249	[4] 1,801,330
21	July 22	182	2,443,760	1,400,855	1,277,070	123,785	97.855	4.243	97.896	4.162	97.838	4.276	1,300,110
28	Apr. 29	91	2,946,840	2,001,725	1,738,680	263,045	98.938	4.201	[2] 98.948	4.162	98.930	4.233	[4] 1,800,284
28	July 29	182	2,343,300	1,400,440	1,302,040	98,400	97.859	4.236	[2] 97.887	4.180	97.845	4.263	1,300,670

See footnotes at end of table.

Summary of information pertaining to Treasury bills issued during the fiscal year 1971—Continued

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity [1]	Maturity value: Total applied for	Tenders accepted: Total accepted	Tenders accepted: On competitive basis	Tenders accepted: On noncompetitive basis	Prices and rates: Total bids accepted: Average price per hundred	Total bids accepted: Equivalent average rate (percent)	Competitive bids accepted: High: Price per hundred	High: Equivalent rate (percent)	Low: Price per hundred	Low: Equivalent rate (percent)	Amount maturing on issue date of new offering
REGULAR WEEKLY—continued													
1971—Continued													
Feb. 4	May 6	91	$3,124,970	$2,003,855	$1,742,410	$261,445	98.961	4.110	98.975	4.055	98.954	4.138	[4] $1,829,720
4	Aug. 5	182	2,755,030	1,405,305	1,308,125	97,180	97.920	4.115	[2] 97,932	4.091	97.907	4.140	1,299,640
11	May 13	91	3,638,705	2,002,695	1,734,275	268,420	99.028	3.845	99.037	3.810	99.026	3.853	[4] 1,802,740
11	Aug. 12	182	2,701,555	1,400,250	1,295,265	104,985	98.059	3.839	98.069	3.820	98.049	3.859	1,302,530
18	May 20	91	3,062,855	2,003,525	1,798,820	204,705	99.080	3,639	99.090	3.600	99.072	3.671	[4] 1,801,385
18	Aug. 19	182	2,745,840	1,402,285	1,316,715	85,570	98.140	3.678	98.159	3.642	98.133	3.693	1,297,710
25	May 27	91	3,184,795	1,903,650	1,642,840	260,810	99.116	3.497	[2] 99.129	3.446	99.111	3.517	1,900,725
25	Aug. 26	182	2,696,860	1,402,070	1,312,820	89,250	98.185	3.591	[2] 98.203	3.555	98.178	3.604	1,402,560
	May 27	90											
	June 3	97											
26 [5]	June 10	104											
	June 17	111	4,064,680	1,203,690	1,002,900	200,790	99.020	3.281	99.059	3.151	99.011	3.312	
	June 24	118											
	July 1	125											
Mar. 4	June 3	91	2,911,115	1,901,790	1,663,485	238,305	99.154	3.345	99.166	3.299	99.146	3.378	1,903,435
4	Sept. 2	182	2,659,720	1,401,135	1,320,460	80,675	98.247	3.467	98.265	3.432	98.239	3.483	1,400,355
11	June 10	91	2,906,505	1,900,745	1,645,500	255,245	99.164	3.307	99.179	3.248	99.156	3.339	1,901,380
11	Sept. 9	182	2,538,305	1,400,825	1,317,270	83,555	98.302	3.358	98.325	3.313	98.287	3.388	1,404,690
18	June 17	91	2,814,060	1,900,745	1,643,720	257,025	99.164	3.307	99.183	3,232	99.153	3.351	1,900,590
18	Sept. 16	182	2,528,095	1,400,740	1,313,690	87,050	98.273	3.416	[2] 98.295	3.373	98.258	3.446	1,401,635
25	June 24	91	2,958,555	1,899,665	1,644,110	255,555	99.158	3.330	99.177	3.256	99.146	3.378	1,909,635
25	Sept. 23	182	2,646,315	1,601,780	1,506,510	95,270	98.240	3.481	98.265	3.432	98.211	3.539	1,395,160
Apr. 1	July 1	91	2,884,945	1,900,465	1,660,950	239,515	99.110	3.522	[2] 99.130	3.442	99.090	3.600	1,904,380
1	Sept. 30	182	2,672,235	1,599,855	1,496,300	103,555	98.132	3.695	[2] 99.160	3.640	98.114	3.731	1,400,685

		July 8	93											
		July 15	100											
		July 22	107											
		July 29	114											
	6 [6]	Aug. 5	121											
		Aug. 12	128	5,080,185	2,205,720	2,199,065	6,655	98.645	3.811	98.664	3.758	98.630	3.853	
		Aug. 19	135											
		Aug. 26	142											
		Sept. 2	149											
		Sept. 9	156											
		Sept. 16	163											
	8	July 8	91	2,795,020	2,000,285	1,736,200	264,085	99.064	3.704	99.078	3.647	99.055	3.738	2,002,420
	8	Oct. 7	182	2,599,900	1,600,600	1,520,985	79,615	98.102	3.755	98.120	3.719	98.087	3.784	1,402,025
	15	July 15	91	3,101,295	2,000,525	1,725,595	274,930	98.979	4.038	99.012	3.909	98.961	4.110	2,003,445
	15	Oct. 14	182	2,618,505	1,600,225	1,511,395	88,830	97.907	4.141	[2] 97.953	4.049	97.865	4.223	1,404,245
	22	July 22	91	3,576,975	2,001,015	1,678,290	322,725	99.047	3.770	99.055	3.738	99.041	3.794	2,002,185
	22	Oct. 21	182	3,133,265	1,401,175	1,273,525	127,650	97.998	3.960	98.010	3.936	97.992	3.972	1,401,285
	29	July 29	91					99.023	3.865	99.035	3.818	99.016	3.893	2,001,725
	29	Oct. 28	182	2,922,975	1,401,225	1,314,110	87,115	97.934	4.087	[2] 97.951	4.053	97.932	4.091	1,400,925
May	6	Aug. 5	91	3,219,580	2,000,225	1,759,965	240,260	99.023	3.864	99.032	3.829	99.015	3.897	2,003,855
	6	Nov. 4	182	2,806,400	1,400,240	1,300,505	99,735	97.886	4.182	97.900	4.154	97.872	4.209	1,402,410
	13	Aug. 12	91	3,075,515	2,000,240	1,772,795	227,445	99.024	3.861	99.047	3.770	99.015	3.897	2,002,695
	13	Nov. 11	182	2,653,715	1,400,040	1,296,685	103,355	97.888	4.177	97.911	4.132	97.883	4.187	1,400,925
	20	Aug. 19	91	3,055,350	2,001,325	1,784,350	216,975	98.900	4.351	[2] 98.926	4.249	98.888	4.399	2,003,525
	20	Nov. 18	182	2,450,405	1,401,985	1,302,670	99,315	97.710	4.530	97.764	4.423	97.676	4.597	1,403,485
		June 24	30											
		July 1	37											
		July 8	44											
	25 [7]	July 15	51	3,093,520	1,608,240	1,489,320	118,920	99.379	4.099	[2] 99.410	3.897	99.370	4.161	
		July 22	58											
		July 29	65											
		Aug. 5	72											
		Aug. 12	79											
	27	Aug. 26	91	3,327,330	2,100,870	1,851,795	249,075	98.868	4.480	98.885	4.411	98.860	4.510	[8] 1,903,650
	27	Nov. 26	183	2,644,295	1,400,165	1,298,640	101,525	97.673	4.577	97.722	4.481	97.659	4.605	1,400,490
June	3	Sept. 2	91	3,159,040	2,101,545	1,868,230	233,315	98.902	4.342	[2] 98.915	4.292	98.884	4.415	[8] 1,901,790
	3	Dec. 2	182	2,346,520	1,394,930	1,311,010	83,920	97.721	4,507	97.744	4.462	97.680	4.589	1,398,610
	10	Sept. 9	91	3,076,055	2,100,905	1,855,090	245,815	98.860	4.511	98.894	4.375	98.845	4.569	[8] 1,900,745
	10	Dec. 9	182	2,428,900	1,400,480	1,292,520	107,960	97.614	4.720	97.655	4.638	97.589	4.769	1,400,625
	17	Sept. 16	91	3,094,510	2,100,055	1,841,300	258,755	98.739	4.988	[2] 98.766	4.882	98.725	5.044	[8] 1,900,745
	17	Dec. 16	182	2,395,665	1,400,390	1,295,655	104,735	97.371	5.200	97.446	5.052	97.347	5.248	1,399,985
	24	Sept. 23	91	3,043,560	2,203,210	1,934,125	269,085	98.748	4.954	98.769	4.870	98.733	5.012	[9] 1,899,665
	24	Dec. 23	182	2,670,450	1,603,345	1,475,935	127,410	97.405	5.133	97.424	5.095	97.393	5.157	1,403,800

See footnotes at end of table.

Summary of information pertaining to Treasury bills issued during the fiscal year 1971—Continued

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity[1]	Maturity value				Prices and rates						Amount maturing on issue date of new offering
			Total applied for	Tenders accepted			Total bids accepted		Competitive bids accepted				
									High		Low		
				Total accepted	On competitive basis	On noncompetitive basis	Average price per hundred	Equivalent average rate (percent)	Price per hundred	Equivalent rate (percent)	Price per hundred	Equivalent rate (percent)	
REGULAR MONTHLY													
1970	*1971*												
July 31	Apr. 30	273	$1,596,840	$500,380	$479,020	$21,360	95.096	6.467	95.120	6.435	95.080	6.488	$500,254
31	July 31	365	2,489,000	1,202,410	1,118,290	84,120	93.532	6.380	[2] 93.548	6.363	93.522	6.389	1,202,063
Aug. 31	May 31	273	1,220,710	501,310	475,980	25,330	95.063	6.510	95.087	6.479	95.040	6.541	500,666
31	Aug. 31	365	2,036,290	1,203,530	1,139,370	64,160	93.515	6.396	93.564	6.348	93.476	6.435	1,200,526
Sept. 30	June 30	273	1,169,890	500,770	474,060	26,710	95.270	6.237	[2] 95.313	6.181	95.245	6.270	500,128
30	Sept. 30	365	1,721,480	1,202,410	1,135,995	66,415	93.698	6.216	93.795	6.120	93.638	6.275	1,005,264
Nov. 2	July 31	271	1,222,010	500,620	480,255	20,365	95.368	6.153	95.395	6.117	95.333	6.200	501,831
2	Oct. 31	365	2,006,340	1,201,370	1,136,790	64,580	93.844	6.072	[2] 93.876	6.040	93.787	6.128	1,002,537
30	Aug. 31	274	1,323,180	500,780	479,820	20,960	96.131	5.084	[2] 96.168	5.035	96.115	5.104	500,074
30	Nov. 30	365	1,853,705	1,200,505	1,160,660	39,845	94.921	5.010	[2] 94.981	4.950	94.831	5.098	1,001,199
Dec. 31	Sept. 30	273	1,404,420	500,550	481,695	18,855	96.247	4.949	96.289	4.894	96.224	4.979	500,400
31	Dec. 31	365	2,952,145	1,201,185	1,161,600	39,585	95.046	4.886	[2] 95.063	4.869	95.039	4.893	1,002,063
1971													
Jan. 31	Oct. 31	272	1,284,540	499,740	483,110	16,630	96.775	4.269	[2] 96.812	4.219	96.752	4.299	500,310
31	Jan. 31, 1972	365	1,809,725	1,199,455	1,160,585	38,870	95.693	4.249	95.762	4.180	95.645	4.295	1,002,046
Mar. 1	Nov. 30, 1971	274	1,442,000	501,330	483,660	17,670	97.191	3.691	[2] 97.214	3.660	97.184	3.700	499,960
1	Feb. 29, 1972	366	2,194,465	1,201,075	1,173,890	27,185	96.264	3.675	[2] 96.299	3.640	96.243	3.695	1,200,147
31	Dec. 31, 1971	275	1,490,715	500,365	483,100	17,265	97.321	3.507	97.349	3.470	97.296	3.540	500,560

	1972												
31	Mar. 31	366	2,177,385	1,200,285	1,174,230	26,055	96.354	3.587	[2] 96.372	3.569	96.296	3.643	1,201,060
Apr. 30	Jan. 31	276	1,448,680	500,250	485,515	14,735	96.625	4.403	[2] 96.665	4.350	96.589	4.449	500,380
30	Apr. 30	366	2,223,535	1,200,535	1,171,475	29,060	95.504	4.422	[2] 95.557	4.370	95.430	4.495	1,199,980
June 1	Feb. 29	273	1,681,705	500,105	486,900	13,205	96.445	4.688	96.453	4.677	96.414	4.729	501,310
1	May 31	366	2,346,510	1,200,820	1,170,510	30,310	95.130	4.790	[2] 95.143	4.777	95.102	4.818	1,200,170
30	Mar. 31	275	1,301,870	500,320	485,030	15,290	95.856	5.425	95.902	5.365	95.814	5.480	500,770
30	June 30	366	2,152,435	1,200,335	1,160,515	39,820	94.340	5.567	[2] 94.398	5.510	94.281	5.625	1,201,430
TAX ANTICIPATION													
1970	*1971*												
July 8	Mar. 22	257	4,741,840	2,516,570	2,254,530	262,040	95.394	6.452	[2] 95.471	6.344	95.360	6.500	-------------
23	Apr. 22	273	4,754,950	2,261,190	2,028,860	232,330	95.068	6.504	[2] 95.109	6.450	95.048	6.530	-------------
Oct. 21	June 22	244	5,592,575	2,515,135	2,128,710	386,425	95.954	5.970	96.001	5.900	95.934	5.999	-------------
1971													
Mar. 30	Apr. 22	23	5,095,035	2,000,795	1,992,330	8,465	99.765	3.671	99.773	3.553	99.761	3.741	-------------

[1] The 13-week bills are additional issues of bills with an original maturity of 26 weeks except that when the date of maturity of either a 13-week or 26-week issue is on the last day of a month the bills are additional issues of bills with an original maturity of 1 year. The 9-month bills are additional issues of bills with an original maturity of 1 year.

[2] Relatively small amounts of bids were accepted at a price or prices somewhat above the high shown. However, the higher price or prices are not shown in order to prevent an appreciable discontinuity in the range (covered by the high to the low prices shown) which would make it misrepresentative.

[3] An additional $300,685,000 of each of the issues issued as a strip.

[4] In addition, $300,685,000 of a strip of bills issued Dec. 2, 1970, matured.

[5] An additional $200,615,000 of each of the issues issued as a strip.

[6] An additional $200,520,000 of each of the issues issued as a strip.

[7] An additional $201,030,000 of each of the issues issued as a strip.

[8] In addition, $200,615,000 of a strip of bills issued Feb. 26, 1971, matured.

[9] In addition, $200,615,000 of a strip of bills issued Feb. 26, 1971, and $201,030,000 of a strip of bills issued May 25, 1971, matured.

NOTE.—The usual timing with respect to weekly issues of Treasury bills is: Press release inviting tenders, 8 days before date of issue, and closing date for the receipt of tenders and press release announcing results of auction, 3 days before date of issue.

Figures are final and may differ from those shown in the press release announcing preliminary results.

For each issue of regular weekly (13-week and 26-week bills) and regular monthly (9-month and 1 year) bills noncompetitive tenders for $200,000 or less from any one bidder were accepted in full at the average price of accepted competitive bids. For tax anticipation bills the maximum amount for noncompetitive tenders was $400,000 except for the issue of Mar. 30 for which it was $300,000. For the strips of bills the maximum amount for noncompetitive tenders was as follows: $420,000 Dec. 2; $240,000 Feb. 26; $330,000 Apr. 6; and $200,000 May 25.

All equivalent rates of discount are on a bank-discount basis.

Qualified depositaries were permitted to make payment by credit in Treasury tax and loan accounts for all issues of tax anticipation bills and strips of bills except the issues of Mar. 30 and Apr. 6. Payment by such credit was not permitted for the regular weekly and regular monthly bill issues.

Regulations

Exhibit 3.—Department Circular No. 653, December 12, 1969, Eighth Revision, Amendment No. 1, offering of United States savings bonds, Series E

PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E

Miscellaneous Amendments

Sections 316.1, 316.2, 316.6, and 316.8 of Department of the Treasury Circular No. 653, Eighth Revision, dated December 12, 1969, the tables incorporated therein and the Appendix (31 CFR Part 316), have been revised and amended to read as follows:

§ 316.1 Offering of bonds.

The Secretary of the Treasury hereby offers for sale to the people of the United States, U.S. Saving Bonds of Series E, hereinafter generally referred to as "Series E bonds" or "bonds." This offer, effective as of June 1, 1970, will continue until terminated by the Secretary of the Treasury.

§ 316.2 Description of bonds.

* * * * * * *

(e) *Investment yield (interest).* The investment yield (interest) on a Series E bond will be approximately 5½ percent per annum, compounded semiannually, if the bond is held to maturity, but the yield will be less if the bond is redeemed prior thereto. The interest will be paid as a part of the redemption value. For the first 6 months from issue date, the bond will be redeemable only at purchase price. Thereafter, its redemption value will increase at the beginning of each successive half-year period. The final interest accural period is 4 months. See Table 1.

(f) *Outstanding bonds with issue dates June 1, 1970, or thereafter.* Outstanding Series E bonds with issue dates of June 1, 1970, or thereafter, are deemed to be Series E bonds issued under the terms of this amendment and the investment yield provided for in paragraph (e) of this section is applicable to such bonds. Stock for Series E bonds on sale prior to June 1, 1970, will be used until such time as new stock is printed and supplied to issuing agents. Such bonds have the new investment yield and all other privileges as fully as if expressly set forth in the text of the bonds. It will be unnecessary for owners to exchange bonds issued on old stock for bonds on new stock as all paying agents will redeem the bonds in accordance with the schedule of redemption values set forth in Table 1. However, when the new stock becomes available, issuance thereon may be obtained by presentation for that purpose of bonds issued on old stock to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Securities Division, Washington, D.C. 20220.

§ 316.6 Purchase of bonds.

* * * * * * *

(c) *Savings stamps.* The sale of U.S. Savings Stamps was terminated effective June 30, 1970. However, outstanding stamps affixed in fully or partially completed albums may be used to purchase Series E bonds at banks or other financial institutions authorized to issue such bonds. Otherwise, the stamps may be redeemed for cash at post offices.

§ 316.8 Extended terms and improved yields for outstanding bonds.

* * * * * * *

(b) *Improved yields.*[10] (1) *Outstanding bonds.* The investment yield on all outstanding Series E bonds is hereby increased as follows:

(i) *Bonds in original maturity period on June 1, 1970.* One-half of 1 percent per annum, compounded semiannually, for the remaining period to the maturity date, but only if the bonds are held to that date. The increase will be calculated beginning with the first 6-month interest accrual period starting on or after June 1, 1970. Interim redemption values remain unchanged.

(ii) *Bonds entering extended maturity period between June 1, 1970, and December 1, 1971, inclusive.* To 5½ percent per annum, compounded semiannually, for the extended maturity period.

(iii) *Bonds in an extended maturity period on June 1, 1970.* One-half of 1 percent per annum, compounded semiannually, for the remaining period to next maturity. The increase will begin with the first interest accrual period starting on or after June 1, 1970.

* * * * * * *

The foregoing amendments, adopted on September 22, 1970, were effected under the authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c) and 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: September 22, 1970.

[SEAL]

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

[10] See Appendix for summary of investment yields to maturity, extended maturity and second extended maturity dates under regulations heretofore and herein prescribed.

Tables of Redemption Values and Investment Yields for U.S. Savings Bonds of Series E

Each table shows: (1) The redemption value for each successive half-year term of holding during the current maturity period and the authorized redemption values during any subsequent maturity period, on bonds bearing issue dates covered by the table; (2) for each maturity period shown, the approximate investment yield on the redemption value at the beginning of such maturity period to the beginning of each half-year period thereafter; (3) the approximate investment yield on the current redemption value from the beginning of each half-year period to the beginning of the next half-year period; and (4) the approximate investment yield on the current redemption value from the beginning of each half-year period to next maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

TABLE 1

BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1970

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	[1] 10,000			
Period after issue date	(1) Redemption values during each half-year period [2] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [2]	(3) From beginning of each half-year period [2] to beginning of next period	(4) From beginning of each half-year period [2] to maturity
									Percent	*Percent*	*Percent*
First ½ year	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.20	5.50
½ to 1 year	19.05	38.10	57.15	76.20	152.40	381.00	762.00	7,620	3.20	4.83	5.72
1 to 1½ years	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	4.01	4.51	5.81
1½ to 2 years	19.95	39.90	59.85	79.80	159.60	399.00	798.00	7,980	4.18	4.51	5.96
2 to 2½ years	20.40	40.80	61.20	81.60	163.20	408.00	816.00	8,160	4.26	4.71	6.15
2½ to 3 years	20.88	41.76	62.64	83.52	167.04	417.60	835.20	8,352	4.35	4.89	6.37
3 to 3½ years	21.39	42.78	64.17	85.56	171.12	427.80	855.60	8,556	4.44	5.05	6.63
3½ to 4 years	21.93	43.86	65.79	87.72	175.44	438.60	877.20	8,772	4.53	5.47	6.97
4 to 4½ years	22.53	45.06	67.59	90.12	180.24	450.60	901.20	9,012	4.64	5.59	7.38
4½ to 5 years	23.16	46.32	69.48	92.64	185.28	463.20	926.40	9,264	4.75	5.70	8.05
5 to 5½ years	23.82	47.64	71.46	95.28	190.56	476.40	952.80	9,528	4.84	5.79	9.47
5½ years to 5 years and 10 months	24.51	49.02	73.53	98.04	196.08	490.20	980.40	9,804	4.93	15.12	15.12
MATURITY VALUE (5 years and 10 months from issue date)	**25.73**	**51.46**	**77.19**	**102.92**	**205.84**	**514.60**	**1,029.20**	**10,292**	**5.50**	----	----

[1] Available only to trustees of employees' savings and savings and vacation plans.

[2] 4-month period in the case of the 5½-year to 5-year and 10-month period.

TABLE 2

BONDS BEARING ISSUE DATE MAY 1, 1941

Issue price	**$18.75**	**$37.50**	**$75.00**	**$375.00**	**$750.00**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**500.00**	**1,000.00**			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year (5/1/61)[1]	$33.63	$67.26	$134.52	$672.60	$1,345.20	0.00	3.75	3.75
½ to 1 year (11/1/61)	34.26	68.52	137.04	685.20	1,370.40	3.75	3.74	3.75
1 to 1½ years (5/1/62)	34.90	69.80	139.60	698.00	1,396.00	3.74	3.78	3.75
1½ to 2 years (11/1/62)	35.56	71.12	142.24	711.20	1,422.40	3.76	3.71	3.75
2 to 2½ years (5/1/63)	36.22	72.44	144.88	724.40	1,448.80	3.74	3.75	3.75
2½ to 3 years (11/1/63)	36.90	73.80	147.60	738.00	1,476.00	3.75	3.79	3.75
3 to 3½ years (5/1/64)	37.60	75.20	150.40	752.00	1,504.00	3.75	3.72	3.75
3½ to 4 years (11/1/64)	38.30	76.60	153.20	766.00	1,532.00	3.75	3.76	3.75
4 to 4½ years (5/1/65)	39.02	78.04	156.08	780.40	1,560.80	3.75	3.74	3.75
4½ to 5 years (11/1/65)	39.75	79.50	159.00	795.00	1,590.00	3.75	3.77	3.75
5 to 5½ years (5/1/66)	40.50	81.00	162.00	810.00	1,620.00	3.75	3.75	4.15
5½ to 6 years (11/1/66)	41.26	82.52	165.04	825.20	1,650.40	3.75	3.88	4.19
6 to 6½ years (5/1/67)	42.06	84.12	168.24	841.20	1,682.40	3.76	3.99	4.23
6½ to 7 years (11/1/67)	42.90	85.80	171.60	858.00	1,716.00	3.78	4.01	4.27
7 to 7½ years (5/1/68)	43.76	87.52	175.04	875.20	1,750.40	3.80	4.11	4.31
7½ to 8 years (11/1/68)	44.66	89.32	178.64	893.20	1,786.40	3.82	4.21	4.45
8 to 8½ years (5/1/69)	45.60	91.20	182.40	912.00	1,824.00	3.84	4.25	4.52
8½ to 9 years (11/1/69)	46.57	93.14	186.28	931.40	1,862.80	3.87	4.47	5.00
9 to 9½ years (5/1/70)	47.61	95.22	190.44	952.20	1,904.40	3.90	4.87	5.27
9½ to 10 years (11/1/70)	48.77	97.54	195.08	975.40	1,950.80	3.95	6.19	6.19
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (5/1/71)	50.28	100.56	201.12	1,005.60	2,011.20	[3] 4.06		

[1] Month, day, and year on which issues of May 1, 1941, enter each period.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.32 percent.

TABLE 3

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1941

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
	SECOND EXTENDED MATURITY PERIOD							
						Percent	*Percent*	*Percent*
First ½ year [1] (6/1/61)	$33.73	$67.46	$134.92	$674.60	$1,349.20	0.00	3.74	3.75
½ to 1 year (12/1/61)	34.36	68.72	137.44	687.20	1,374.40	3.74	3.78	3.75
1 to 1½ years (6/1/62)	35.01	70.02	140.04	700.20	1,400.40	3.76	3.71	3.75
1½ to 2 years (12/1/62)	35.66	71.32	142.64	713.20	1,426.40	3.74	3.76	3.75
2 to 2½ years (6/1/63)	36.33	72.66	145.32	726.60	1,453.20	3.75	3.74	3.75
2½ to 3 years (12/1/63)	37.01	74.02	148.04	740.20	1,480.40	3.75	3.78	3.75
3 to 3½ years (6/1/64)	37.71	75.42	150.84	754.20	1,508.40	3.75	3.71	3.75
3½ to 4 years (12/1/64)	38.41	76.82	153.64	768.20	1,536.40	3.75	3.75	3.75
4 to 4½ years (6/1/65)	39.13	78.26	156.52	782.60	1,565.20	3.75	3.78	3.75
4½ to 5 years (12/1/65)	39.87	79.74	159.48	797.40	1,594.80	3.75	3.81	4.15
5 to 5½ years (6/1/66)	40.63	81.26	162.52	812.60	1,625.20	3.76	3.84	4.19
5½ to 6 years (12/1/66)	41.41	82.82	165.64	828.20	1,656.40	3.76	3.91	4.22
6 to 6½ years (6/1/67)	42.22	84.44	168.88	844.40	1,688.80	3.78	3.98	4.26
6½ to 7 years (12/1/67)	43.06	86.12	172.24	861.20	1,722.40	3.79	4.13	4.30
7 to 7½ years (6/1/68)	43.95	87.90	175.80	879.00	1,758.00	3.82	4.14	4.43
7½ to 8 years (12/1/68)	44.86	89.72	179.44	897.20	1,794.40	3.84	4.19	4.49
8 to 8½ years (6/1/69)	45.80	91.60	183.20	916.00	1,832.00	3.86	4.45	5.00
8½ to 9 years (12/1/69)	46.82	93.64	187.28	936.40	1,872.80	3.90	4.66	5.18
9 to 9½ years (6/1/70)	47.91	95.82	191.64	958.20	1,916.40	3.94	5.51	5.94
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
9½ to 10 years (12/1/70)	49.23	98.46	196.92	984.60	1,969.20	4.02	6.38	6.38
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/71)	**50.80**	**101.60**	**203.20**	**1,016.00**	**2,032.00**	**[3] 4.14**		

[1] Month, day, and year on which issues of June 1, 1941, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.35 percent.

TABLE 4

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1941, THROUGH APRIL 1, 1942

Issue price / Denomination						Approximate investment yield (annual percentage rate)		
Issue price	$18.75	$37.50	$75.00	$375.00	$750.00			
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1] (12/1/61)	$33.83	$67.66	$135.32	$676.60	$1,353.20	0.00	3.72	3.75
½ to 1 year (6/1/62)	34.46	68.92	137.84	689.20	1,378.40	3.72	3.77	3.75
1 to 1½ years (12/1/62)	35.11	70.22	140.44	702.20	1,404.40	3.75	3.76	3.75
1½ to 2 years (6/1/63)	35.77	71.54	143.08	715.40	1,430.80	3.75	3.75	3.75
2 to 2½ years (12/1/63)	36.44	72.88	145.76	728.80	1,457.60	3.75	3.73	3.75
2½ to 3 years (6/1/64)	37.12	74.24	148.48	742.40	1,484.80	3.75	3.77	3.75
3 to 3½ years (12/1/64)	37.82	75.64	151.28	756.40	1,512.80	3.75	3.75	3.75
3½ to 4 years (6/1/65)	38.53	77.06	154.12	770.60	1,541.20	3.75	3.74	3.75
4 to 4½ years (12/1/65)	39.25	78.50	157.00	785.00	1,570.00	3.75	3.82	4.15
4½ to 5 years (6/1/66)	40.00	80.00	160.00	800.00	1,600.00	3.76	3.85	4.18
5 to 5½ years (12/1/66)	40.77	81.54	163.08	815.40	1,630.80	3.77	3.88	4.21
5½ to 6 years (6/1/67)	41.56	83.12	166.24	831.20	1,662.40	3.78	3.99	4.25
6 to 6½ years (12/1/67)	42.39	84.78	169.56	847.80	1,695.60	3.79	4.06	4.28
6½ to 7 years (6/1/68)	43.25	86.50	173.00	865.00	1,730.00	3.82	4.12	4.42
7 to 7½ years (12/1/68)	44.14	88.28	176.56	882.80	1,765.60	3.84	4.21	4.47
7½ to 8 years (6/1/69)	45.07	90.14	180.28	901.40	1,802.80	3.86	4.35	5.00
8 to 8½ years (12/1/69)	46.05	92.10	184.20	921.00	1,842.00	3.89	4.60	5.16
8½ to 9 years (6/1/70)	47.11	94.22	188.44	942.20	1,884.40	3.93	5.35	5.86
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
9 to 9½ years (12/1/70)	48.37	96.74	193.48	967.40	1,934.80	4.01	5.62	6.11
9½ to 10 years (6/1/71)	49.73	99.46	198.92	994.60	1,989.20	4.10	6.60	6.60
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/71)	**51.37**	**102.74**	**205.48**	**1,027.40**	**2,054.80**	[3] 4.22		

[1] Month, day, and year on which issues of Dec. 1, 1941, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.39 percent.

TABLE 5

BONDS BEARING ISSUE DATE MAY 1, 1942

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
	SECOND EXTENDED MATURITY PERIOD							
						Percent	*Percent*	*Percent*
First ½ year [1] (5/1/62)	$34.09	$68.18	$136.36	$681.80	$1,363.60	0.00	3.75	3.75
½ to 1 year (11/1/62)	34.73	69.46	138.92	694.60	1,389.20	3.75	3.74	3.75
1 to 1½ years (5/1/63)	35.38	70.76	141.52	707.60	1,415.20	3.75	3.73	3.75
1½ to 2 years (11/1/63)	36.04	72.08	144.16	720.80	1,441.60	3.74	3.77	3.75
2 to 2½ years (5/1/64)	36.72	73.44	146.88	734.40	1,468.80	3.75	3.76	3.75
2½ to 3 years (11/1/64)	37.41	74.82	149.64	748.20	1,496.40	3.75	3.74	3.75
3 to 3½ years (5/1/65)	38.11	76.22	152.44	762.20	1,524.40	3.75	3.73	3.75
3½ to 4 years (11/1/65)	38.82	77.64	155.28	776.40	1,552.80	3.75	3.76	3.75
4 to 4½ years (5/1/66)	39.55	79.10	158.20	791.00	1,582.00	3.75	3.79	4.15
4½ to 5 years (11/1/66)	40.30	80.60	161.20	806.00	1,612.00	3.75	3.87	4.18
5 to 5½ years (5/1/67)	41.08	82.16	164.32	821.60	1,643.20	3.77	3.89	4.22
5½ to 6 years (11/1/67)	41.88	83.76	167.52	837.60	1,675.20	3.78	3.96	4.25
6 to 6½ years (5/1/68)	42.71	85.42	170.84	854.20	1,708.40	3.79	4.07	4.29
6½ to 7 years (11/1/68)	43.58	87.16	174.32	871.60	1,743.20	3.81	4.18	4.42
7 to 7½ years (5/1/69)	44.49	88.98	177.96	889.80	1,779.60	3.84	4.14	4.46
7½ to 8 years (11/1/69)	45.41	90.82	181.64	908.20	1,816.40	3.86	4.36	5.00
8 to 8½ years (5/1/70)	46.40	92.80	185.60	928.00	1,856.00	3.89	4.61	5.16
8½ to 9 years (11/1/70)	47.47	94.94	189.88	949.40	1,898.80	3.93	5.35	5.85
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
9 to 9½ years (5/1/71)	48.74	97.48	194.96	974.80	1,949.60	4.01	5.62	6.10
9½ to 10 years (11/1/71)	50.11	100.22	200.44	1,002.20	2,004.40	4.10	6.59	6.59
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (5/1/72)	**51.76**	**103.52**	**207.04**	**1,035.20**	**2,070.40**	[3] 4.22		

[1] Month, day, and year on which issues of May 1, 1942, enter each period.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.41 percent.

TABLE 6

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1942

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1] (6/1/62)	$34.17	$68.34	$136.68	$683.40	$1,366.80	0.00	3.75	3.75
½ to 1 year (12/1/62)	34.81	69.62	139.24	696.20	1,392.40	3.75	3.73	3.75
1 to 1½ years (6/1/63)	35.46	70.92	141.84	709.20	1,418.40	3.74	3.78	3.75
1½ to 2 years (12/1/63)	36.13	72.26	144.52	722.60	1,445.20	3.75	3.76	3.75
2 to 2½ years (6/1/64)	36.81	73.62	147.24	736.20	1,472.40	3.76	3.75	3.75
2½ to 3 years (12/1/64)	37.50	75.00	150.00	750.00	1,500.00	3.75	3.73	3.75
3 to 3½ years (6/1/65)	38.20	76.40	152.80	764.00	1,528.00	3.75	3.77	3.75
3½ to 4 years (12/1/65)	38.92	77.84	155.68	778.40	1,556.80	3.75	3.75	4.15
4 to 4½ years (6/1/66)	39.65	79.30	158.60	793.00	1,586.00	3.75	3.83	4.18
4½ to 5 years (12/1/66)	40.41	80.82	161.64	808.20	1,616.40	3.76	3.96	4.21
5 to 5½ years (6/1/67)	41.21	82.42	164.84	824.20	1,648.40	3.78	3.93	4.24
5½ to 6 years (12/1/67)	42.02	84.04	168.08	840.40	1,680.80	3.80	4.00	4.27
6 to 6½ years (6/1/68)	42.86	85.72	171.44	857.20	1,714.40	3.81	4.11	4.40
6½ to 7 years (12/1/68)	43.74	87.48	174.96	874.80	1,749.60	3.83	4.16	4.45
7 to 7½ years (6/1/69)	44.65	89.30	178.60	893.00	1,786.00	3.86	4.30	5.00
7½ to 8 years (12/1/69)	45.61	91.22	182.44	912.20	1,824.40	3.89	4.56	5.14
8 to 8½ years (6/1/70)	46.65	93.30	186.60	933.00	1,866.00	3.93	5.27	5.79
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
8½ to 9 years (12/1/70)	47.88	95.76	191.52	957.60	1,915.20	4.01	5.47	5.96
9 to 9½ years (6/1/71)	49.19	98.38	196.76	983.80	1,967.60	4.09	5.69	6.21
9½ to 10 years (12/1/71)	50.59	101.18	202.36	1,011.80	2,023.60	4.17	6.72	6.72
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/72)	**52.29**	**104.58**	**209.16**	**1,045.80**	**2,091.60**	[3] 4.30		

[1] Month, day, and year on which issues of June 1, 1942, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.45 percent.

TABLE 7

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1942, THROUGH MAY 1, 1943

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1] (12/1/62)	$34.26	$68.52	$137.04	$685.20	$1,370.40	0.00	3.74	3.75
½ to 1 year (6/1/63)	34.90	69.80	139.60	698.00	1,396.00	3.74	3.78	3.75
1 to 1½ years (12/1/63)	35.56	71.12	142.24	711.20	1,422.40	3.76	3.71	3.75
1½ to 2 years (6/1/64)	36.22	72.44	144.88	724.40	1,448.80	3.74	3.75	3.75
2 to 2½ years (12/1/64)	36.90	73.80	147.60	738.00	1,476.00	3.75	3.74	3.75
2½ to 3 years (6/1/65)	37.59	75.18	150.36	751.80	1,503.60	3.75	3.78	3.75
3 to 3½ years (12/1/65)	38.30	76.60	153.20	766.00	1,532.00	3.75	3.81	4.15
3½ to 4 years (6/1/66)	39.03	78.06	156.12	780.60	1,561.20	3.76	3.79	4.18
4 to 4½ years (12/1/66)	39.77	79.54	159.08	795.40	1,590.80	3.76	3.87	4.21
4½ to 5 years (6/1/67)	40.54	81.08	162.16	810.80	1,621.60	3.78	3.95	4.24
5 to 5½ years (12/1/67)	41.34	82.68	165.36	826.80	1,653.60	3.79	4.06	4.27
5½ to 6 years (6/1/68)	42.18	84.36	168.72	843.60	1,687.20	3.82	4.08	4.40
6 to 6½ years (12/1/68)	43.04	86.08	172.16	860.80	1,721.60	3.84	4.14	4.44
6½ to 7 years (6/1/69)	43.93	87.86	175.72	878.60	1,757.20	3.86	4.28	5.00
7 to 7½ years (12/1/69)	44.87	89.74	179.48	897.40	1,794.80	3.89	4.41	5.12
7½ to 8 years (6/1/70)	45.86	91.72	183.44	917.20	1,834.40	3.93	5.15	5.76
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
8 to 8½ years (12/1/70)	47.04	94.08	188.16	940.80	1,881.60	4.00	5.40	5.92
8½ to 9 years (6/1/71)	48.31	96.62	193.24	966.20	1,932.40	4.08	5.55	6.09
9 to 9½ years (12/1/71)	49.65	99.30	198.60	993.00	1,986.00	4.17	5.84	6.36
9½ to 10 years (6/1/72)	51.10	102.20	204.40	1,022.00	2,044.00	4.25	6.89	6.89
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/72)	**52.86**	**105.72**	**211.44**	**1,057.20**	**2,114.40**	[3] 4.38		

[1] Month, day, and year on which issues of Dec. 1, 1942, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.48 percent.

TABLE 8

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1943

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1] (6/1/63)	$34.34	$68.68	$137.36	$686.80	$1,373.60	0.00	3.73	3.75
½ to 1 year (12/1/63)	34.98	69.96	139.92	699.60	1,399.20	3.73	3.77	3.75
1 to 1½ years (6/1/64)	35.64	71.28	142.56	712.80	1,425.60	3.75	3.76	3.75
1½ to 2 years (12/1/64)	36.31	72.62	145.24	726.20	1,452.40	3.75	3.75	3.75
2 to 2½ years (6/1/65)	36.99	73.98	147.96	739.80	1,479.60	3.75	3.73	3.75
2½ to 3 years (12/1/65)	37.68	75.36	150.72	753.60	1,507.20	3.75	3.82	4.15
3 to 3½ years (6/1/66)	38.40	76.80	153.60	768.00	1,536.00	3.76	3.80	4.18
3½ to 4 years (12/1/66)	39.13	78.26	156.52	782.60	1,565.20	3.77	3.88	4.20
4 to 4½ years (6/1/67)	39.89	79.78	159.56	797.80	1,595.60	3.78	3.96	4.23
4½ to 5 years (12/1/67)	40.68	81.36	162.72	813.60	1,627.20	3.80	3.98	4.25
5 to 5½ years (6/1/68)	41.49	82.98	165.96	829.80	1,659.60	3.82	4.05	4.39
5½ to 6 years (12/1/68)	42.33	84.66	169.32	846.60	1,693.20	3.84	4.11	4.42
6 to 6½ years (6/1/69)	43.20	86.40	172.80	864.00	1,728.00	3.86	4.17	5.00
6½ to 7 years (12/1/69)	44.10	88.20	176.40	882.00	1,764.00	3.89	4.44	5.12
7 to 7½ years (6/1/70)	45.08	90.16	180.32	901.60	1,803.20	3.93	5.06	5.74
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
7½ to 8 years (12/1/70)	46.22	92.44	184.88	924.40	1,848.80	4.00	5.37	5.88
8 to 8½ years (6/1/71)	47.46	94.92	189.84	949.20	1,898.40	4.09	5.44	6.00
8½ to 9 years (12/1/71)	48.75	97.50	195.00	975.00	1,950.00	4.17	5.66	6.19
9 to 9½ years (6/1/72)	50.13	100.26	200.52	1,002.60	2,005.20	4.25	5.78	6.46
9½ to 10 years (12/1/72)	51.58	103.16	206.32	1,031.60	2,063.20	4.33	7.13	7.13
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/73)	**53.42**	**106.84**	**213.68**	**1,068.40**	**2,136.80**	[3] **4.47**		

[1] Month, day, and year on which issues of June 1, 1943, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.52 percent.

TABLE 9

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1943, THROUGH MAY 1, 1944

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield (annual percentage rate)		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1] (12/1/63)	$34.43	$68.86	$137.72	$688.60	$1,377.20	0.00	3.78	3.75
½ to 1 year (6/1/64)	35.08	70.16	140.32	701.60	1,403.20	3.78	3.71	3.75
1 to 1½ years (12/1/64)	35.73	71.46	142.92	714.60	1,429.20	3.74	3.75	3.75
1½ to 2 years (6/1/65)	36.40	72.80	145.60	728.00	1,456.00	3.74	3.79	3.75
2 to 2½ years (12/1/65)	37.09	74.18	148.36	741.80	1,483.60	3.76	3.77	4.15
2½ to 3 years (6/1/66)	37.79	75.58	151.16	755.80	1,511.60	3.76	3.81	4.17
3 to 3½ years (12/1/66)	38.51	77.02	154.04	770.20	1,540.40	3.77	3.84	4.20
3½ to 4 years (6/1/67)	39.25	78.50	157.00	785.00	1,570.00	3.78	3.97	4.23
4 to 4½ years (12/1/67)	40.03	80.06	160.12	800.60	1,601.20	3.80	4.00	4.25
4½ to 5 years (6/1/68)	40.83	81.66	163.32	816.60	1,633.20	3.82	4.02	4.37
5 to 5½ years (12/1/68)	41.65	83.30	166.60	833.00	1,666.00	3.84	4.08	4.41
5½ to 6 years (6/1/69)	42.50	85.00	170.00	850.00	1,700.00	3.87	4.14	5.00
6 to 6½ years (12/1/69)	43.38	86.76	173.52	867.60	1,735.20	3.89	4.33	5.11
6½ to 7 years (6/1/70)	44.32	88.64	177.28	886.40	1,772.80	3.92	5.10	5.72
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision								
7 to 7½ years (12/1/70)	45.45	90.90	181.80	909.00	1,818.00	4.01	5.19	5.82
7½ to 8 years (6/1/71)	46.63	93.26	186.52	932.60	1,865.20	4.09	5.40	5.95
8 to 8½ years (12/1/71)	47.89	95.78	191.56	957.80	1,915.60	4.17	5.60	6.09
8½ to 9 years (6/1/72)	49.23	98.46	196.92	984.60	1,969.20	4.25	5.69	6.25
9 to 9½ years (12/1/72)	50.63	101.26	202.52	1,012.60	2,025.20	4.33	5.93	6.53
9½ to 10 years (6/1/73)	52.13	104.26	208.52	1,042.60	2,085.20	4.41	7.14	7.14
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/73)	**53.99**	**107.98**	**215.96**	**1,079.80**	**2,159.60**	[3] **4.55**		

[1] Month, day, and year on which issues of Dec. 1, 1943, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.56 percent.

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TABLE 10

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1944

Issue price	$7.50	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD						(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
							Percent	*Percent*	*Percent*
First ½ year [1](6/1/64)	$13.80	$34.51	$69.02	$138.04	$690.20	$1,380.40	0.00	3.77	3.75
½ to 1 year (12/1/64)	14.06	35.16	70.32	140.64	703.20	1,406.40	3.77	3.75	3.75
1 to 1½ years (6/1/65)	14.33	35.82	71.64	143.28	716.40	1,432.80	3.76	3.74	3.75
1½ to 2 years (12/1/65)	14.60	36.49	72.98	145.96	729.80	1,459.60	3.75	3.78	4.15
2 to 2½ years (6/1/66)	14.87	37.18	74.36	148.72	743.60	1,487.20	3.76	3.82	4.17
2½ to 3 years (12/1/66)	15.16	37.89	75.78	151.56	757.80	1,515.60	3.77	3.85	4.20
3 to 3½ years (6/1/67)	15.45	38.62	77.24	154.48	772.40	1,544.80	3.79	3.88	4.22
3½ to 4 years (12/1/67)	15.75	39.37	78.74	157.48	787.40	1,574.80	3.80	4.01	4.25
4 to 4½ years (6/1/68)	16.06	40.16	80.32	160.64	803.20	1,606.40	3.83	3.98	4.37
4½ to 5 years (12/1/68)	16.38	40.96	81.92	163.84	819.20	1,638.40	3.84	4.05	4.40
5 to 5½ years (6/1/69)	16.72	41.79	83.58	167.16	835.80	1,671.60	3.87	4.16	5.00
5½ to 6 years (12/1/69)	17.06	42.66	85.32	170.64	853.20	1,706.40	3.89	4.36	5.09
6 to 6½ years (6/1/70)	17.44	43.59	87.18	174.36	871.80	1,743.60	3.93	5.00	5.68
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision									
6½ to 7 years (12/1/70)	17.87	44.68	89.36	178.72	893.60	1,787.20	4.01	5.10	5.78
7 to 7½ years (6/1/71)	18.33	45.82	91.64	183.28	916.40	1,832.80	4.09	5.28	5.89
7½ to 8 years (12/1/71)	18.81	47.03	94.06	188.12	940.60	1,881.20	4.17	5.44	6.01
8 to 8½ years (6/1/72)	19.32	48.31	96.62	193.24	966.20	1,932.40	4.25	5.63	6.16
8½ to 9 years (12/1/72)	19.87	49.67	99.34	198.68	993.40	1,986.80	4.33	5.80	6.33
9 to 9½ years (6/1/73)	20.44	51.11	102.22	204.44	1,022.20	2,044.40	4.41	5.95	6.60
9½ to 10 years (12/1/73)	21.05	52.63	105.26	210.52	1,052.60	2,105.20	4.49	7.26	7.26
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/74)	**21.82**	**54.54**	**109.08**	**218.16**	**1,090.80**	**2,181.60**	[3] **4.63**		

[1] Month, day, and year on which issues of June 1, 1944, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.59 percent.

TABLE 11

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1944 THROUGH MAY 1, 1945

Issue price	$7.50	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD						(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
							Percent	*Percent*	*Percent*
First ½ year [1](12/1/64)	$13.84	$34.59	$69.18	$138.36	$691.80	$1,383.60	0.00	3.76	3.75
½ to 1 year (6/1/65)	14.10	35.24	70.48	140.96	704.80	1,409.60	3.76	3.75	3.75
1 to 1½ years (12/1/65)	14.36	35.90	71.80	143.60	718.00	1,436.00	3.75	3.79	4.15
1½ to 2 years (6/1/66)	14.63	36.58	73.16	146.32	731.60	1,463.20	3.76	3.83	4.17
2 to 2½ years (12/1/66)	14.91	37.28	74.56	149.12	745.60	1,491.20	3.78	3.86	4.19
2½ to 3 years (6/1/67)	15.20	38.00	76.00	152.00	760.00	1,520.00	3.80	3.89	4.21
3 to 3½ years (12/1/67)	15.50	38.74	77.48	154.96	774.80	1,549.60	3.81	3.92	4.24
3½ to 4 years (6/1/68)	15.80	39.50	79.00	158.00	790.00	1,580.00	3.83	4.00	4.36
4 to 4½ years (12/1/68)	16.12	40.29	80.58	161.16	805.80	1,611.60	3.85	4.02	4.39
4½ to 5 years (6/1/69)	16.44	41.10	82.20	164.40	822.00	1,644.00	3.87	4.18	5.00
5 to 5½ years (12/1/69)	16.78	41.96	83.92	167.84	839.20	1,678.40	3.90	4.24	5.08
5½ to 6 years (6/1/70)	17.14	42.85	85.70	171.40	857.00	1,714.00	3.93	4.99	5.68
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision									
6 to 6½ years (12/1/70)	17.57	43.92	87.84	175.68	878.40	1,756.80	4.02	5.05	5.76
6½ to 7 years (6/1/71)	18.01	45.03	90.06	180.12	900.60	1,801.20	4.10	5.24	5.87
7 to 7½ years (12/1/71)	18.48	46.21	92.42	184.84	924.20	1,848.40	4.18	5.41	5.97
7½ to 8 years (6/1/72)	18.98	47.46	94.92	189.84	949.20	1,898.40	4.26	5.48	6.08
8 to 8½ years (12/1/72)	19.50	48.76	97.52	195.04	975.20	1,950.40	4.34	5.74	6.23
8½ to 9 years (6/1/73)	20.06	50.16	100.32	200.64	1,003.20	2,006.40	4.42	5.74	6.40
9 to 9½ years (12/1/73)	20.64	51.60	103.20	206.40	1,032.00	2,064.00	4.49	6.01	6.73
9½ to 10 years (6/1/74)	21.26	53.15	106.30	212.60	1,063.00	2,126.00	4.57	7.45	7.45
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/74)	**22.05**	**55.13**	**110.26**	**220.52**	**1,102.60**	**2,205.20**	[3] 4.72		

[1] Month, day, and year on which issues of Dec. 1, 1944, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.63 percent.

TABLE 12

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1945

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/65)	$13.87	$34.68	$69.36	$138.72	$277.44	$693.60	$1,387.20	0.00	3.75	3.75
½ to 1 year (12/1/65)	14.13	35.33	70.66	141.32	282.64	706.60	1,413.20	3.75	3.79	4.15
1 to 1½ years (6/1/66)	14.40	36.00	72.00	144.00	288.00	720.00	1,440.00	3.77	3.83	4.17
1½ to 2 years (12/1/66)	14.68	36.69	73.38	146.76	293.52	733.80	1,467.60	3.79	3.87	4.19
2 to 2½ years (6/1/67)	14.96	37.40	74.80	149.60	299.20	748.00	1,496.00	3.81	3.85	4.21
2½ to 3 years (12/1/67)	15.25	38.12	76.24	152.48	304.96	762.40	1,524.80	3.82	3.93	4.23
3 to 3½ years (6/1/68)	15.55	38.87	77.74	155.48	310.96	777.40	1,554.80	3.84	4.01	4.35
3½ to 4 years (12/1/68)	15.86	39.65	79.30	158.60	317.20	793.00	1,586.00	3.86	4.04	4.38
4 to 4½ years (6/1/69)	16.18	40.45	80.90	161.80	323.60	809.00	1,618.00	3.88	4.10	5.00
4½ to 5 years (12/1/69)	16.51	41.28	82.56	165.12	330.24	825.60	1,651.20	3.91	4.26	5.08
5 to 5½ years (6/1/70)	16.86	42.16	84.32	168.64	337.28	843.20	1,686.40	3.94	4.89	5.66
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
5½ to 6 years (12/1/70)	17.28	43.19	86.38	172.76	345.52	863.80	1,727.60	4.03	5.05	5.75
6 to 6½ years (6/1/71)	17.71	44.28	88.56	177.12	354.24	885.60	1,771.20	4.11	5.15	5.84
6½ to 7 years (12/1/71)	18.17	45.42	90.84	181.68	363.36	908.40	1,816.80	4.19	5.33	5.94
7 to 7½ years (6/1/72)	18.65	46.63	93.26	186.52	373.04	932.60	1,865.20	4.27	5.49	6.04
7½ to 8 years (12/1/72)	19.16	47.91	95.82	191.64	383.28	958.20	1,916.40	4.36	5.59	6.15
8 to 8½ years (6/1/73)	19.70	49.25	98.50	197.00	394.00	985.00	1,970.00	4.43	5.73	6.29
8½ to 9 years (12/1/73)	20.26	50.66	101.32	202.64	405.28	1,013.20	2,026.40	4.51	5.88	6.47
9 to 9½ years (6/1/74)	20.86	52.15	104.30	208.60	417.20	1,043.00	2,086.00	4.58	6.02	6.77
9½ to 10 years (12/1/74)	21.49	53.72	107.44	214.88	429.76	1,074.40	2,148.80	4.66	7.52	7.52
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/75)	**22.30**	**55.74**	**111.48**	**222.96**	**445.92**	**1,114.80**	**2,229.60**	[3] 4.80		

[1] Month, day, and year on which issues of June 1, 1945, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.66 percent.

TABLE 13

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1945 THROUGH MAY 1, 1946

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/65)	$13.91	$34.77	$69.54	$139.08	$278.16	$695.40	$1,390.80	0.00	4.14	4.15
½ to 1 year (6/1/66)	14.20	35.49	70.98	141.96	283.92	709.80	1,419.60	4.14	4.17	4.15
1 to 1½ years (12/1/66)	14.49	36.23	72.46	144.92	289.84	724.60	1,449.20	4.16	4.14	4.15
1½ to 2 years (6/1/67)	14.79	36.98	73.96	147.92	295.84	739.60	1,479.20	4.15	4.16	4.15
2 to 2½ years (12/1/67)	15.10	37.75	75.50	151.00	302.00	755.00	1,510.00	4.15	4.13	4.15
2½ to 3 years (6/1/68)	15.41	38.53	77.06	154.12	308.24	770.60	1,541.20	4.15	4.15	4.25
3 to 3½ years (12/1/68)	15.73	39.33	78.66	157.32	314.64	786.60	1,573.20	4.15	4.17	4.26
3½ to 4 years (6/1/69)	16.06	40.15	80.30	160.60	321.20	803.00	1,606.00	4.15	4.18	5.00
4 to 4½ years (12/1/69)	16.40	40.99	81.98	163.96	327.92	819.80	1,639.60	4.16	4.34	5.07
4½ to 5 years (6/1/70)	16.75	41.88	83.76	167.52	335.04	837.60	1,675.20	4.18	4.92	5.64
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
5 to 5½ years (12/1/70)	17.16	42.91	85.82	171.64	343.28	858.20	1,716.40	4.25	4.99	5.71
5½ to 6 years (6/1/71)	17.59	43.98	87.96	175.92	351.84	879.60	1,759.20	4.32	5.23	5.79
6 to 6½ years (12/1/71)	18.05	45.13	90.26	180.52	361.04	902.60	1,805.20	4.39	5.27	5.86
6½ to 7 years (6/1/72)	18.53	46.32	92.64	185.28	370.56	926.40	1,852.80	4.46	5.35	5.94
7 to 7½ years (12/1/72)	19.02	47.56	95.12	190.24	380.48	951.20	1,902.40	4.53	5.51	6.04
7½ to 8 years (6/1/73)	19.55	48.87	97.74	195.48	390.96	977.40	1,954.80	4.59	5.65	6.15
8 to 8½ years (12/1/73)	20.10	50.25	100.50	201.00	402.00	1,005.00	2,010.00	4.66	5.69	6.28
8½ to 9 years (6/1/74)	20.67	51.68	103.36	206.72	413.44	1,033.60	2,067.20	4.72	5.80	6.47
9 to 9½ years (12/1/74)	21.27	53.18	106.36	212.72	425.44	1,063.60	2,127.20	4.78	6.02	6.80
9½ to 10 years (6/1/75)	21.91	54.78	109.56	219.12	438.24	1,095.60	2,191.20	4.84	7.59	7.59
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/75)	22.74	56.86	113.72	227.44	454.88	1,137.20	2,274.40	[3] 4.98		

[1] Month, day, and year on which issues of Dec. 1, 1945, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.73 percent.

TABLE 14

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1946

Issue price	**$7.50**	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	Approximate investment yield (annual percentage rate)		
Denomination	**10.00**	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](6/1/66)	$13.97	$34.92	$69.84	$139.68	$279.36	$698.40	$1,396.80	0.00	4.12	4.15
½ to 1 year (12/1/66)	14.26	35.64	71.28	142.56	285.12	712.80	1,425.60	4.12	4.15	4.15
1 to 1½ years (6/1/67)	14.55	36.38	72.76	145.52	291.04	727.60	1,455.20	4.14	4.18	4.15
1½ to 2 years (12/1/67)	14.86	37.14	74.28	148.56	297.12	742.80	1,485.60	4.15	4.15	4.15
2 to 2½ years (6/1/68)	15.16	37.91	75.82	151.64	303.28	758.20	1,516.40	4.15	4.17	4.25
2½ to 3 years (12/1/68)	15.48	38.70	77.40	154.80	309.60	774.00	1,548.00	4.15	4.13	4.26
3 to 3½ years (6/1/69)	15.80	39.50	79.00	158.00	316.00	790.00	1,580.00	4.15	4.20	5.00
3½ to 4 years (12/1/69)	16.13	40.33	80.66	161.32	322.64	806.60	1,613.20	4.16	4.31	5.06
4 to 4½ years (6/1/70)	16.48	41.20	82.40	164.80	329.60	824.00	1,648.00	4.18	4.90	5.62
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
4½ to 5 years (12/1/70)	16.88	42.21	84.42	168.84	337.68	844.20	1,688.40	4.26	5.02	5.69
5 to 5½ years (6/1/71)	17.31	43.27	86.54	173.08	346.16	865.40	1,730.80	4.33	5.08	5.75
5½ to 6 years (12/1/71)	17.75	44.37	88.74	177.48	354.96	887.40	1,774.80	4.40	5.23	5.83
6 to 6½ years (6/1/72)	18.21	45.53	91.06	182.12	364.24	910.60	1,821.20	4.47	5.40	5.90
6½ to 7 years (12/1/72)	18.70	46.76	93.52	187.04	374.08	935.20	1,870.40	4.54	5.39	5.97
7 to 7½ years (6/1/73)	19.21	48.02	96.04	192.08	384.16	960.40	1,920.80	4.60	5.58	6.07
7½ to 8 years (12/1/73)	19.74	49.36	98.72	197.44	394.88	987.20	1,974.40	4.67	5.59	6.17
8 to 8½ years (6/1/74)	20.30	50.74	101.48	202.96	405.92	1,014.80	2,029.60	4.73	5.75	6.32
8½ to 9 years (12/1/74)	20.88	52.20	104.40	208.80	417.60	1,044.00	2,088.00	4.79	5.86	6.50
9 to 9½ years (6/1/75)	21.49	53.73	107.46	214.92	429.84	1,074.60	2,149.20	4.85	5.96	6.83
9½ to 10 years (12/1/75)	22.13	55.33	110.66	221.32	442.64	1,106.60	2,213.20	4.90	7.70	7.70
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/76)	**22.98**	**57.46**	**114.92**	**229.84**	**459.68**	**1,149.20**	**2,298.40**	[3] **5.04**		

[1] Month, day, and year on which issues of June 1, 1946, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.77 percent.

TABLE 15

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1946, THROUGH MAY 1, 1947

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](12/1/66)	$14.03	$35.08	$70.16	$140.32	$280.64	$701.60	$1,403.20	0.00	4.16	4.15
½ to 1 year (6/1/67)	14.32	35.81	71.62	143.24	286.48	716.20	1,432.40	4.16	4.13	4.15
1 to 1½ years (12/1/67)	14.62	36.55	73.10	146.20	292.40	731.00	1,462.00	4.15	4.16	4.15
1½ to 2 years (6/1/68)	14.92	37.31	74.62	149.24	298.48	746.20	1,492.40	4.15	4.13	4.25
2 to 2½ years (12/1/68)	15.23	38.08	76.16	152.32	304.64	761.60	1,523.20	4.15	4.15	4.26
2½ to 3 years (6/1/69)	15.55	38.87	77.74	155.48	310.96	777.40	1,554.80	4.15	4.22	5.00
3 to 3½ years (12/1/69)	15.88	39.69	79.38	158.76	317.52	793.80	1,587.60	4.16	4.28	5.06
3½ to 4 years (6/1/70)	16.22	40.54	81.08	162.16	324.32	810.80	1,621.60	4.18	4.88	5.62
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
4 to 4½ years (12/1/70)	16.61	41.53	83.06	166.12	332.24	830.60	1,661.20	4.26	5.01	5.68
4½ to 5 years (6/1/71)	17.03	42.57	85.14	170.28	340.56	851.40	1,702.80	4.35	5.12	5.74
5 to 5½ years (12/1/71)	17.46	43.66	87.32	174.64	349.28	873.20	1,746.40	4.42	5.18	5.80
5½ to 6 years (6/1/72)	17.92	44.79	89.58	179.16	358.32	895.80	1,791.60	4.49	5.27	5.87
6 to 6½ years (12/1/72)	18.39	45.97	91.94	183.88	367.76	919.40	1,838.80	4.56	5.44	5.95
6½ to 7 years (6/1/73)	18.89	47.22	94.44	188.88	377.76	944.40	1,888.80	4.62	5.42	6.02
7 to 7½ years (12/1/73)	19.40	48.50	97.00	194.00	388.00	970.00	1,940.00	4.68	5.61	6.12
7½ to 8 years (6/1/74)	19.94	49.86	99.72	199.44	398.88	997.20	1,994.40	4.74	5.66	6.22
8 to 8½ years (12/1/74)	20.51	51.27	102.54	205.08	410.16	1,025.40	2,050.80	4.80	5.77	6.36
8½ to 9 years (6/1/75)	21.10	52.75	105.50	211.00	422.00	1,055.00	2,110.00	4.86	5.88	6.56
9 to 9½ years (12/1/75)	21.72	54.30	108.60	217.20	434.40	1,086.00	2,172.00	4.91	5.97	6.90
9½ to 10 years (6/1/76)	22.37	55.92	111.84	223.68	447.36	1,118.40	2,236.80	4.97	7.83	7.83
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/76)	**23.24**	**58.11**	**116.22**	**232.44**	**464.88**	**1,162.20**	**2,324.40**	[3] **5.11**		

[1] Month, day, and year on which issues of Dec. 1, 1946, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.81 percent.

TABLE 16

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1947

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/67)	$14.09	$35.23	$70.46	$140.92	$281.84	$704.60	$1,409.20	0.00	4.14	4.15
½ to 1 year (12/1/67)	14.38	35.96	71.92	143.84	287.68	719.20	1,438.40	4.14	4.17	4.15
1 to 1½ years (6/1/68)	14.68	36.71	73.42	146.84	293.68	734.20	1,468.40	4.16	4.14	4.25
1½ to 2 years (12/1/68)	14.99	37.47	74.94	149.88	299.76	749.40	1,498.80	4.15	4.16	4.26
2 to 2½ years (6/1/69)	15.30	38.25	76.50	153.00	306.00	765.00	1,530.00	4.15	4.18	5.00
2½ to 3 years (12/1/69)	15.62	39.05	78.10	156.20	312.40	781.00	1,562.00	4.16	4.30	5.05
3 to 3½ years (6/1/70)	15.96	39.89	79.78	159.56	319.12	797.80	1,595.60	4.18	4.86	5.61
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
3½ to 4 years (12/1/70)	16.34	40.86	81.72	163.44	326.88	817.20	1,634.40	4.28	4.94	5.67
4 to 4½ years (6/1/71)	16.75	41.87	83.74	167.48	334.96	837.40	1,674.80	4.36	5.06	5.73
4½ to 5 years (12/1/71)	17.17	42.93	85.86	171.72	343.44	858.60	1,717.20	4.44	5.17	5.79
5 to 5½ years (6/1/72)	17.62	44.04	88.08	176.16	352.32	880.80	1,761.60	4.51	5.27	5.85
5½ to 6 years (12/1/72)	18.08	45.20	90.40	180.80	361.60	904.00	1,808.00	4.58	5.31	5.91
6 to 6½ years (6/1/73)	18.56	46.40	92.80	185.60	371.20	928.00	1,856.00	4.64	5.47	5.99
6½ to 7 years (12/1/73)	19.07	47.67	95.34	190.68	381.36	953.40	1,906.80	4.71	5.54	6.06
7 to 7½ years (6/1/74)	19.60	48.99	97.98	195.96	391.92	979.80	1,959.60	4.77	5.55	6.15
7½ to 8 years (12/1/74)	20.14	50.35	100.70	201.40	402.80	1,007.00	2,014.00	4.82	5.76	6.27
8 to 8½ years (6/1/75)	20.72	51.80	103.60	207.20	414.40	1,036.00	2,072.00	4.88	5.75	6.40
8½ to 9 years (12/1/75)	21.32	53.29	106.58	213.16	426.32	1,065.80	2,131.60	4.93	5.93	6.61
9 to 9½ years (6/1/76)	21.95	54.87	109.74	219.48	438.96	1,097.40	2,194.80	4.98	5.98	6.95
9½ to 10 years (12/1/76)	22.60	56.51	113.02	226.04	452.08	1,130.20	2,260.40	5.04	7.93	7.93
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/77)	23.50	58.75	117.50	235.00	470.00	1,175.00	2,350.00	[3] 5.18		

[1] Month, day, and year on which issues of June 1, 1947, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.84 percent.

TABLE 17

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1947, THROUGH MAY 1, 1948

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/67)	$14.16	$35.39	$70.78	$141.56	$283.12	$707.80	$1,415.60	0.00	4.13	4.15
½ to 1 year (6/1/68)	14.45	36.12	72.24	144.48	288.96	722.40	1,444.80	4.13	4.15	4.25
1 to 1½ years (12/1/68)	14.75	36.87	73.74	147.48	294.96	737.40	1,474.80	4.14	4.18	4.26
1½ to 2 years (6/1/69)	15.06	37.64	75.28	150.56	301.12	752.80	1,505.60	4.15	4.20	5.00
2 to 2½ years (12/1/69)	15.37	38.43	76.86	153.72	307.44	768.60	1,537.20	4.16	4.27	5.05
2½ to 3 years (6/1/70)	15.70	39.25	78.50	157.00	314.00	785.00	1,570.00	4.18	4.89	5.60
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
3 to 3½ years (12/1/70)	16.08	40.21	80.42	160.84	321.68	804.20	1,608.40	4.30	4.92	5.65
3½ to 4 years (6/1/71)	16.48	41.20	82.40	164.80	329.60	824.00	1,648.00	4.39	5.05	5.71
4 to 4½ years (12/1/71)	16.90	42.24	84.48	168.96	337.92	844.80	1,689.60	4.47	5.16	5.76
4½ to 5 years (6/1/72)	17.33	43.33	86.66	173.32	346.64	866.60	1,733.20	4.55	5.17	5.82
5 to 5½ years (12/1/72)	17.78	44.45	88.90	177.80	355.60	889.00	1,778.00	4.61	5.31	5.88
5½ to 6 years (6/1/73)	18.25	45.63	91.26	182.52	365.04	912.60	1,825.20	4.67	5.39	5.95
6 to 6½ years (12/1/73)	18.74	46.86	93.72	187.44	374.88	937.20	1,874.40	4.73	5.46	6.02
6½ to 7 years (6/1/74)	19.26	48.14	96.28	192.56	385.12	962.80	1,925.60	4.79	5.57	6.10
7 to 7½ years (12/1/74)	19.79	49.48	98.96	197.92	395.84	989.60	1,979.20	4.85	5.66	6.18
7½ to 8 years (6/1/75)	20.35	50.88	101.76	203.52	407.04	1,017.60	2,035.20	4.90	5.78	6.29
8 to 8½ years (12/1/75)	20.94	52.35	104.70	209.40	418.80	1,047.00	2,094.00	4.95	5.77	6.42
8½ to 9 years (6/1/76)	21.54	53.86	107.72	215.44	430.88	1,077.20	2,154.40	5.00	5.90	6.63
9 to 9½ years (12/1/76)	22.18	55.45	110.90	221.80	443.60	1,109.00	2,218.00	5.05	6.02	7.00
9½ to 10 years (6/1/77)	22.85	57.12	114.24	228.48	456.96	1,142.40	2,284.80	5.10	7.98	7.98
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/77)	23.76	59.40	118.80	237.60	475.20	1,188.00	2,376.00	[3] 5.25		

[1] Month, day, and year on which issues of Dec. 1, 1947, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.88 percent.

TABLE 18

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1948

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](6/1/68)	$14.22	$35.55	$71.10	$142.20	$284.40	$711.00	$1,422.00	0.00	4.16	4.25
½ to 1 year (12/1/68)	14.52	36.29	72.58	145.16	290.32	725.80	1,451.60	4.16	4.13	4.25
1 to 1½ years (6/1/69)	14.82	37.04	74.08	148.16	296.32	740.80	1,481.60	4.15	4.21	5.00
1½ to 2 years (12/1/69)	15.13	37.82	75.64	151.28	302.56	756.40	1,512.80	4.17	4.23	5.05
2 to 2½ years (6/1/70)	15.45	38.62	77.24	154.48	308.96	772.40	1,544.80	4.18	4.87	5.60
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
2½ to 3 years (12/1/70)	15.82	39.56	79.12	158.24	316.48	791.20	1,582.40	4.32	4.95	5.65
3 to 3½ years (6/1/71)	16.22	40.54	81.08	162.16	324.32	810.80	1,621.60	4.43	5.03	5.70
3½ to 4 years (12/1/71)	16.62	41.56	83.12	166.24	332.48	831.20	1,662.40	4.51	5.05	5.75
4 to 4½ years (6/1/72)	17.04	42.61	85.22	170.44	340.88	852.20	1,704.40	4.58	5.21	5.81
4½ to 5 years (12/1/72)	17.49	43.72	87.44	174.88	349.76	874.40	1,748.80	4.65	5.26	5.86
5 to 5½ years (6/1/73)	17.95	44.87	89.74	179.48	358.96	897.40	1,794.80	4.71	5.35	5.92
5½ to 6 years (12/1/73)	18.43	46.07	92.14	184.28	368.56	921.40	1,842.80	4.77	5.43	5.98
6 to 6½ years (6/1/74)	18.93	47.32	94.64	189.28	378.56	946.40	1,892.80	4.82	5.54	6.05
6½ to 7 years (12/1/74)	19.45	48.63	97.26	194.52	389.04	972.60	1,945.20	4.88	5.55	6.13
7 to 7½ years (6/1/75)	19.99	49.98	99.96	199.92	399.84	999.60	1,999.20	4.93	5.72	6.22
7½ to 8 years (12/1/75)	20.56	51.41	102.82	205.64	411.28	1,028.20	2,056.40	4.98	5.72	6.33
8 to 8½ years (6/1/76)	21.15	52.88	105.76	211.52	423.04	1,057.60	2,115.20	5.03	5.86	6.48
8½ to 9 years (12/1/76)	21.77	54.43	108.86	217.72	435.44	1,088.60	2,177.20	5.07	5.95	6.68
9 to 9½ years (6/1/77)	22.42	56.05	112.10	224.20	448.40	1,121.00	2,242.00	5.12	5.99	7.05
9½ to 10 years (12/1/77)	23.09	57.73	115.46	230.92	461.84	1,154.60	2,309.20	5.17	8.11	8.11
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/78)	24.03	60.07	120.14	240.28	480.56	1,201.40	2,402.80	[3] 5.32	------	------

[1] Month, day, and year on which issues of June 1, 1948, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.92 percent.

TABLE 19

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1948, THROUGH MAY 1, 1949

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/68)	$14.29	$35.72	$71.44	$142.88	$285.76	$714.40	$1,428.80	0.00	4.14	4.25
½ to 1 year (6/1/69)	14.58	36.46	72.92	145.84	291.68	729.20	1,458.40	4.14	4.22	5.00
1 to 1½ years (12/1/69)	14.89	37.23	74.46	148.92	297.84	744.60	1,489.20	4.18	4.24	5.04
1½ to 2 years (6/1/70)	15.21	38.02	76.04	152.08	304.16	760.40	1,520.80	4.20	4.89	5.59
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
2 to 2½ years (12/1/70)	15.58	38.95	77.90	155.80	311.60	779.00	1,558.00	4.38	4.83	5.63
2½ to 3 years (6/1/71)	15.96	39.89	79.78	159.56	319.12	797.80	1,595.60	4.47	5.01	5.69
3 to 3½ years (12/1/71)	16.36	40.89	81.78	163.56	327.12	817.80	1,635.60	4.56	5.14	5.74
3½ to 4 years (6/1/72)	16.78	41.94	83.88	167.76	335.52	838.80	1,677.60	4.64	5.15	5.78
4 to 4½ years (12/1/72)	17.21	43.02	86.04	172.08	344.16	860.40	1,720.80	4.70	5.21	5.84
4½ to 5 years (6/1/73)	17.66	44.14	88.28	176.56	353.12	882.80	1,765.60	4.76	5.35	5.89
5 to 5½ years (12/1/73)	18.13	45.32	90.64	181.28	362.56	906.40	1,812.80	4.82	5.38	5.95
5½ to 6 years (6/1/74)	18.62	46.54	93.08	186.16	372.32	930.80	1,861.60	4.87	5.46	6.01
6 to 6½ years (12/1/74)	19.12	47.81	95.62	191.24	382.48	956.20	1,912.40	4.92	5.56	6.08
6½ to 7 years (6/1/75)	19.66	49.14	98.28	196.56	393.12	982.80	1,965.60	4.97	5.66	6.15
7 to 7½ years (12/1/75)	20.21	50.53	101.06	202.12	404.24	1,010.60	2,021.20	5.02	5.70	6.24
7½ to 8 years (6/1/76)	20.79	51.97	103.94	207.88	415.76	1,039.40	2,078.80	5.06	5.81	6.34
8 to 8½ years (12/1/76)	21.39	53.48	106.96	213.92	427.84	1,069.60	2,139.20	5.11	5.87	6.48
8½ to 9 years (6/1/77)	22.02	55.05	110.10	220.20	440.40	1,101.00	2,202.00	5.15	5.92	6.68
9 to 9½ years (12/1/77)	22.67	56.68	113.36	226.72	453.44	1,133.60	2,267.20	5.20	6.00	7.06
9½ to 10 years (6/1/78)	23.35	58.38	116.76	233.52	467.04	1,167.60	2,335.20	5.24	8.12	8.12
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/78)	**24.30**	**60.75**	**121.50**	**243.00**	**486.00**	**1,215.00**	**2,430.00**	[3] 5.38		

[1] Month, day, and year on which issues of Dec. 1, 1948, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.96 percent.

TABLE 20

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1949

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/69)	$14.72	$36.80	$73.60	$147.20	$294.40	$736.00	$1,472.00	0.00	5.00	5.00
½ to 1 year (12/1/69)	15.09	37.72	75.44	150.88	301.76	754.40	1,508.80	5.00	4.98	5.00
1 to 1½ years (6/1/70)	15.46	38.66	77.32	154.64	309.28	773.20	1,546.40	4.99	5.54	5.50
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
1½ to 2 years (12/1/70)	15.89	39.73	79.46	158.92	317.84	794.60	1,589.20	5.17	5.49	5.50
2 to 2½ years (6/1/71)	16.33	40.82	81.64	163.28	326.56	816.40	1,632.80	5.25	5.54	5.50
2½ to 3 years (12/1/71)	16.78	41.95	83.90	167.80	335.60	839.00	1,678.00	5.31	5.48	5.50
3 to 3½ years (6/1/72)	17.24	43.10	86.20	172.40	344.80	862.00	1,724.00	5.34	5.48	5.50
3½ to 4 years (12/1/72)	17.71	44.28	88.56	177.12	354.24	885.60	1,771.20	5.36	5.51	5.50
4 to 4½ years (6/1/73)	18.20	45.50	91.00	182.00	364.00	910.00	1,820.00	5.38	5.49	5.50
4½ to 5 years (12/1/73)	18.70	46.75	93.50	187.00	374.00	935.00	1,870.00	5.39	5.52	5.50
5 to 5½ years (6/1/74)	19.22	48.04	96.08	192.16	384.32	960.80	1,921.60	5.40	5.45	5.50
5½ to 6 years (12/1/74)	19.74	49.35	98.70	197.40	394.80	987.00	1,974.00	5.41	5.51	5.50
6 to 6½ years (6/1/75)	20.28	50.71	101.42	202.84	405.68	1,014.20	2,028.40	5.42	5.52	5.50
6½ to 7 years (12/1/75)	20.84	52.11	104.22	208.44	416.88	1,042.20	2,084.40	5.42	5.49	5.50
7 to 7½ years (6/1/76)	21.42	53.54	107.08	214.16	428.32	1,070.80	2,141.60	5.43	5.49	5.50
7½ to 8 years (12/1/76)	22.00	55.01	110.02	220.04	440.08	1,100.20	2,200.40	5.43	5.53	5.50
8 to 8½ years (6/1/77)	22.61	56.53	113.06	226.12	452.24	1,130.60	2,261.20	5.44	5.45	5.49
8½ to 9 years (12/1/77)	23.23	58.07	116.14	232.28	464.56	1,161.40	2,322.80	5.44	5.51	5.51
9 to 9½ years (6/1/78)	23.87	59.67	119.34	238.68	477.36	1,193.40	2,386.80	5.44	5.53	5.50
9½ to 10 years (12/1/78)	24.53	61.32	122.64	245.28	490.56	1,226.40	2,452.80	5.45	5.48	5.48
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/79)	25.20	63.00	126.00	252.00	504.00	1,260.00	2,520.00	[3] 5.45		

[1] Month, day, and year on which issues of June 1, 1949, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 4.08 percent.

TABLE 21

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1949, THROUGH MAY 1, 1950

Issue price	**$7.50**	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	Approximate investment yield (annual percentage rate)		
Denomination	**10.00**	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**			
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) From beginning of second extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to second extended maturity [2]
	SECOND EXTENDED MATURITY PERIOD									
								Percent	*Percent*	*Percent*
First ½ year [1](12/1/69)	$14.80	$37.00	$74.00	$148.00	$296.00	$740.00	$1,480.00	0.00	4.97	5.00
½ to 1 year (6/1/70)	15.17	37.92	75.84	151.68	303.36	758.40	1,516.80	4.97	5.49	5.50
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
1 to 1½ years (12/1/70)	15.58	38.96	77.92	155.84	311.68	779.20	1,558.40	5.23	5.49	5.50
1½ to 2 years (6/1/71)	16.01	40.03	80.06	160.12	320.24	800.60	1,601.20	5.32	5.55	5.50
2 to 2½ years (12/1/71)	16.46	41.14	82.28	164.56	329.12	822.80	1,645.60	5.37	5.49	5.50
2½ to 3 years (6/1/72)	16.91	42.27	84.54	169.08	338.16	845.40	1,690.80	5.40	5.54	5.50
3 to 3½ years (12/1/72)	17.38	43.44	86.88	173.76	347.52	868.80	1,737.60	5.42	5.48	5.50
3½ to 4 years (6/1/73)	17.85	44.63	89.26	178.52	357.04	892.60	1,785.20	5.43	5.51	5.50
4 to 4½ years (12/1/73)	18.34	45.86	91.72	183.44	366.88	917.20	1,834.40	5.44	5.49	5.50
4½ to 5 years (6/1/74)	18.85	47.12	94.24	188.48	376.96	942.40	1,884.80	5.45	5.48	5.50
5 to 5½ years (12/1/74)	19.36	48.41	96.82	193.64	387.28	968.20	1,936.40	5.45	5.54	5.50
5½ to 6 years (6/1/75)	19.90	49.75	99.50	199.00	398.00	995.00	1,990.00	5.46	5.47	5.50
6 to 6½ years (12/1/75)	20.44	51.11	102.22	204.44	408.88	1,022.20	2,044.40	5.46	5.48	5.50
6½ to 7 years (6/1/76)	21.00	52.51	105.02	210.04	420.08	1,050.20	2,100.40	5.46	5.52	5.50
7 to 7½ years (12/1/76)	21.58	53.96	107.92	215.84	431.68	1,079.20	2,158.40	5.46	5.52	5.50
7½ to 8 years (6/1/77)	22.18	55.45	110.90	221.80	443.60	1,109.00	2,218.00	5.47	5.48	5.50
8 to 8½ years (12/1/77)	22.79	56.97	113.94	227.88	455.76	1,139.40	2,278.80	5.47	5.51	5.50
8½ to 9 years (6/1/78)	23.42	58.54	117.08	234.16	468.32	1,170.80	2,341.60	5.47	5.50	5.50
9 to 9½ years (12/1/78)	24.06	60.15	120.30	240.60	481.20	1,203.00	2,406.00	5.47	5.49	5.49
9½ to 10 years (6/1/79)	24.72	61.80	123.60	247.20	494.40	1,236.00	2,472.00	5.47	5.50	5.50
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/79)	**25.40**	**63.50**	**127.00**	**254.00**	**508.00**	**1,270.00**	**2,540.00**	[3] 5.47		

[1] Month, day, and year on which issues of Dec. 1, 1949, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 4.11 percent.

TABLE 22

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1950

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — FIRST EXTENDED MATURITY PERIOD						(2) From beginning of each extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period (a) to first extended maturity [2]
							Percent	*Percent*	*Percent*
First ½ year [1] (6/1/60)	$25.15	$50.30	$100.60	$201.20	$503.00	$1,006.00	0.00	3.50	3.75
½ to 1 year (12/1/60)	25.59	51.18	102.36	204.72	511.80	1,023.60	3.50	3.60	3.76
1 to 1½ years (6/1/61)	26.05	52.10	104.20	208.40	521.00	1,042.00	3.55	3.53	3.77
1½ to 2 years (12/1/61)	26.51	53.02	106.04	212.08	530.20	1,060.40	3.54	3.62	3.79
2 to 2½ years (6/1/62)	26.99	53.98	107.96	215.92	539.80	1,079.60	3.56	3.63	3.80
2½ to 3 years (12/1/62)	27.48	54.96	109.92	219.84	549.60	1,099.20	3.58	3.64	3.81
3 to 3½ years (6/1/63)	27.98	55.96	111.92	223.84	559.60	1,119.20	3.59	3.65	3.82
3½ to 4 years (12/1/63)	28.49	56.98	113.96	227.92	569.80	1,139.60	3.59	3.65	3.84
4 to 4½ years (6/1/64)	29.01	58.02	116.04	232.08	580.20	1,160.40	3.60	3.72	3.85
4½ to 5 years (12/1/64)	29.55	59.10	118.20	236.40	591.00	1,182.00	3.62	3.72	3.86
5 to 5½ years (6/1/65)	30.10	60.20	120.40	240.80	602.00	1,204.00	3.63	3.79	3.88
5½ to 6 years (12/1/65)	30.67	61.34	122.68	245.36	613.40	1,226.80	3.64	3.85	4.29
6 to 6½ years (6/1/66)	31.26	62.52	125.04	250.08	625.20	1,250.40	3.66	3.97	4.34
6½ to 7 years (12/1/66)	31.88	63.76	127.52	255.04	637.60	1,275.20	3.68	4.08	4.40
7 to 7½ years (6/1/67)	32.53	65.06	130.12	260.24	650.60	1,301.20	3.71	4.12	4.45
7½ to 8 years (12/1/67)	33.20	66.40	132.80	265.60	664.00	1,328.00	3.74	4.34	4.51
8 to 8½ years (6/1/68)	33.92	67.84	135.68	271.36	678.40	1,356.80	3.77	4.42	4.67
8½ to 9 years (12/1/68)	34.67	69.34	138.68	277.36	693.40	1,386.80	3.81	4.44	4.75
9 to 9½ years (6/1/69)	35.44	70.88	141.76	283.52	708.80	1,417.60	3.85	4.68	4.99
9½ to 10 years (12/1/69)	36.27	72.54	145.08	290.16	725.40	1,450.80	3.89	5.29	5.29
EXTENDED MATURITY VALUE (20 years from issue date) (6/1/70)	**37.23**	**74.46**	**148.92**	**297.84**	**744.60**	**1,489.20**	[3] 3.96		

Period after first extended maturity (beginning 20 years after issue date)		SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year	(6/1/70)	$37.23	$74.46	$148.92	$297.84	$744.60	$1,489.20	0.00	5.48	5.50
Redemption values and investment yields to second extended maturity on basis of June 1, 1970, revision										
½ to 1 year	(12/1/70)	38.25	76.50	153.00	306.00	765.00	1,530.00	5.48	5.49	5.50
1 to 1½ years	(6/1/71)	39.30	78.60	157.20	314.40	786.00	1,572.00	5.48	5.50	5.50
1½ to 2 years	(12/1/71)	40.38	80.76	161.52	323.04	807.60	1,615.20	5.49	5.50	5.50
2 to 2½ years	(6/1/72)	41.49	82.98	165.96	331.92	829.80	1,659.60	5.49	5.54	5.50
2½ to 3 years	(12/1/72)	42.64	85.28	170.56	341.12	852.80	1,705.60	5.50	5.49	5.50
3 to 3½ years	(6/1/73)	43.81	87.62	175.24	350.48	876.20	1,752.40	5.50	5.48	5.50
3½ to 4 years	(12/1/73)	45.01	90.02	180.04	360.08	900.20	1,800.40	5.50	5.51	5.50
4 to 4½ years	(6/1/74)	46.25	92.50	185.00	370.00	925.00	1,850.00	5.50	5.54	5.50
4½ to 5 years	(12/1/74)	47.53	95.06	190.12	380.24	950.60	1,901.20	5.50	5.51	5.50
5 to 5½ years	(6/1/75)	48.84	97.68	195.36	390.72	976.80	1,953.60	5.50	5.49	5.50
5½ to 6 years	(12/1/75)	50.18	100.36	200.72	401.44	1,003.60	2,007.20	5.50	5.50	5.50
6 to 6½ years	(6/1/76)	51.56	103.12	206.24	412.48	1,031.20	2,062.40	5.50	5.47	5.50
6½ to 7 years	(12/1/76)	52.97	105.94	211.88	423.76	1,059.40	2,118.80	5.50	5.55	5.51
7 to 7½ years	(6/1/77)	54.44	108.88	217.76	435.52	1,088.80	2,177.60	5.50	5.47	5.50
7½ to 8 years	(12/1/77)	55.93	111.86	223.72	447.44	1,118.60	2,237.20	5.50	5.51	5.50
8 to 8½ years	(6/1/78)	57.47	114.94	229.88	459.76	1,149.40	2,298.80	5.50	5.50	5.50
8½ to 9 years	(12/1/78)	59.05	118.10	236.20	472.40	1,181.00	2,362.00	5.50	5.49	5.50
9 to 9½ years	(6/1/79)	60.67	121.34	242.68	485.36	1,213.40	2,426.80	5.50	5.51	5.51
9½ to 10 years	(12/1/79)	62.34	124.68	249.36	498.72	1,246.80	2,493.60	5.50	5.52	5.52
SECOND EXTENDED MATURITY VALUE (30 years from issue date)	**(6/1/80)**	**64.06**	**128.12**	**256.24**	**512.48**	**1,281.20**	**2,562.40**	[3] **5.50**		

[1] Month, day, and year on which issues of June 1, 1950, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to first extended maturity date is 3.46 percent; to second extended maturity date is 4.14 percent.

TABLE 23

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1950, THROUGH MAY 1, 1951

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — FIRST EXTENDED MATURITY PERIOD						(2) From beginning of each extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period (a) to first extended maturity [2]
							Percent	*Percent*	*Percent*
First ½ year [1] (12/1/60)	$25.22	$50.44	$100.88	$201.76	$504.40	$1,008.80	0.00	3.49	3.75
½ to 1 year (6/1/61)	25.66	51.32	102.64	205.28	513.20	1,026.40	3.49	3.59	3.76
1 to 1½ years (12/1/61)	26.12	52.24	104.48	208.96	522.40	1,044.80	3.54	3.52	3.77
1½ to 2 years (6/1/62)	26.58	53.16	106.32	212.64	531.60	1,063.20	3.53	3.61	3.79
2 to 2½ years (12/1/62)	27.06	54.12	108.24	216.48	541.20	1,082.40	3.55	3.62	3.80
2½ to 3 years (6/1/63)	27.55	55.10	110.20	220.40	551.00	1,102.00	3.57	3.63	3.81
3 to 3½ years (12/1/63)	28.05	56.10	112.20	224.40	561.00	1,122.00	3.58	3.71	3.83
3½ to 4 years (6/1/64)	28.57	57.14	114.28	228.56	571.40	1,142.80	3.60	3.64	3.83
4 to 4½ years (12/1/64)	29.09	58.18	116.36	232.72	581.80	1,163.60	3.60	3.71	3.85
4½ to 5 years (6/1/65)	29.63	59.26	118.52	237.04	592.60	1,185.20	3.61	3.78	3.86
5 to 5½ years (12/1/65)	30.19	60.38	120.76	241.52	603.80	1,207.60	3.63	3.84	4.27
5½ to 6 years (6/1/66)	30.77	61.54	123.08	246.16	615.40	1,230.80	3.65	3.90	4.32
6 to 6½ years (12/1/66)	31.37	62.74	125.48	250.96	627.40	1,254.80	3.67	4.02	4.38
6½ to 7 years (6/1/67)	32.00	64.00	128.00	256.00	640.00	1,280.00	3.70	4.06	4.43
7 to 7½ years (12/1/67)	32.65	65.30	130.60	261.20	653.00	1,306.00	3.72	4.29	4.49
7½ to 8 years (6/1/68)	33.35	66.70	133.40	266.80	667.00	1,334.00	3.76	4.26	4.64
8 to 8½ years (12/1/68)	34.06	68.12	136.24	272.48	681.20	1,362.40	3.79	4.46	4.73
8½ to 9 years (6/1/69)	34.82	69.64	139.28	278.56	696.40	1,392.80	3.83	4.60	5.00
9 to 9½ years (12/1/69)	35.62	71.24	142.48	284.96	712.40	1,424.80	3.87	4.77	5.21
9½ to 10 years (6/1/70)	36.47	72.94	145.88	291.76	729.40	1,458.80	3.92	6.20	6.20

Redemption values and investment yields to first and second extended maturity on basis of June 1, 1970, revision

EXTENDED MATURITY VALUE (20 years from issue date)..........(12/1/70)	**37.60**	**75.20**	**150.40**	**300.80**	**752.00**	**1,504.00**	**[3] 4.03**		
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year..........(12/1/70)	$37.60	$75.20	$150.40	$300.80	$752.00	$1,504.00	0.00	5.48	5.50
½ to 1 year..........(6/1/71)	38.63	77.26	154.52	309.04	772.60	1,545.20	5.48	5.54	5.50
1 to 1½ years..........(12/1/71)	39.70	79.40	158.80	317.60	794.00	1,588.00	5.51	5.49	5.50
1½ to 2 years..........(6/1/72)	40.79	81.58	163.16	326.32	815.80	1,631.60	5.50	5.49	5.50
2 to 2½ years..........(12/1/72)	41.91	83.82	167.64	335.28	838.20	1,676.40	5.50	5.49	5.50
2½ to 3 years..........(6/1/73)	43.06	86.12	172.24	344.48	861.20	1,722.40	5.50	5.53	5.50
3 to 3½ years..........(12/1/73)	44.25	88.50	177.00	354.00	885.00	1,770.00	5.50	5.47	5.50
3½ to 4 years..........(6/1/74)	45.46	90.92	181.84	363.68	909.20	1,818.40	5.50	5.50	5.50
4 to 4½ years..........(12/1/74)	46.71	93.42	186.84	373.68	934.20	1,868.40	5.50	5.52	5.50
4½ to 5 years..........(6/1/75)	48.00	96.00	192.00	384.00	960.00	1,920.00	5.50	5.50	5.50
5 to 5½ years..........(12/1/75)	49.32	98.64	197.28	394.56	986.40	1,972.80	5.50	5.47	5.50
5½ to 6 years..........(6/1/76)	50.67	101.34	202.68	405.36	1,013.40	2,026.80	5.50	5.53	5.50
6 to 6½ years..........(12/1/76)	52.07	104.14	208.28	416.56	1,041.40	2,082.80	5.50	5.49	5.50
6½ to 7 years..........(6/1/77)	53.50	107.00	214.00	428.00	1,070.00	2,140.00	5.50	5.50	5.50
7 to 7½ years..........(12/1/77)	54.97	109.94	219.88	439.76	1,099.40	2,198.80	5.50	5.49	5.50
7½ to 8 years..........(6/1/78)	56.48	112.96	225.92	451.84	1,129.60	2,259.20	5.50	5.52	5.50
8 to 8½ years..........(12/1/78)	58.04	116.08	232.16	464.32	1,160.80	2,321.60	5.50	5.48	5.50
8½ to 9 years..........(6/1/79)	59.63	119.26	238.52	477.04	1,192.60	2,385.20	5.50	5.50	5.50
9 to 9½ years..........(12/1/79)	61.27	122.54	245.08	490.16	1,225.40	2,450.80	5.50	5.52	5.51
9½ to 10 years..........(6/1/80)	62.96	125.92	251.84	503.68	1,259.20	2,518.40	5.50	5.50	5.50
SECOND EXTENDED MATURITY VALUE (30 years from issue date)..........(12/1/80)	**64.69**	**129.38**	**258.76**	**517.52**	**1,293.80**	**2,587.60**	**[3] 5.50**		

[1] Month, day, and year on which issues of Dec. 1, 1950, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to first extended maturity date is 3.51 percent; to second extended maturity date is 4.17 percent.

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TABLE 24

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1951

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)						(2) From beginning of each extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period (a) to first extended maturity [2]
	FIRST EXTENDED MATURITY PERIOD								
							Percent	*Percent*	*Percent*
First ½ year [1] (6/1/61)	$25.30	$50.60	$101.20	$202.40	$506.00	$1,012.00	0.00	3.56	3.75
½ to 1 year (12/1/61)	25.75	51.50	103.00	206.00	515.00	1,030.00	3.56	3.50	3.76
1 to 1½ years (6/1/62)	26.20	52.40	104.80	209.60	524.00	1,048.00	3.53	3.59	3.77
1½ to 2 years (12/1/62)	26.67	53.34	106.68	213.36	533.40	1,066.80	3.55	3.60	3.78
2 to 2½ years (6/1/63)	27.15	54.30	108.60	217.20	543.00	1,086.00	3.56	3.61	3.80
2½ to 3 years (12/1/63)	27.64	55.28	110.56	221.12	552.80	1,105.60	3.57	3.62	3.81
3 to 3½ years (6/1/64)	28.14	56.28	112.56	225.12	562.80	1,125.60	3.58	3.70	3.82
3½ to 4 years (12/1/64)	28.66	57.32	114.64	229.28	573.20	1,146.40	3.59	3.70	3.83
4 to 4½ years (6/1/65)	29.19	58.38	116.76	233.52	583.80	1,167.60	3.61	3.70	3.84
4½ to 5 years (12/1/65)	29.73	59.46	118.92	237.84	594.60	1,189.20	3.62	3.77	4.26
5 to 5½ years (6/1/66)	30.29	60.58	121.16	242.32	605.80	1,211.60	3.63	3.83	4.31
5½ to 6 years (12/1/66)	30.87	61.74	123.48	246.96	617.40	1,234.80	3.65	4.02	4.36
6 to 6½ years (6/1/67)	31.49	62.98	125.96	251.92	629.80	1,259.60	3.68	4.06	4.40
6½ to 7 years (12/1/67)	32.13	64.26	128.52	257.04	642.60	1,285.20	3.71	4.17	4.45
7 to 7½ years (6/1/68)	32.80	65.60	131.20	262.40	656.00	1,312.00	3.74	4.27	4.60
7½ to 8 years (12/1/68)	33.50	67.00	134.00	268.00	670.00	1,340.00	3.78	4.36	4.67
8 to 8½ years (6/1/69)	34.23	68.46	136.92	273.84	684.60	1,369.20	3.81	4.50	5.00
8½ to 9 years (12/1/69)	35.00	70.00	140.00	280.00	700.00	1,400.00	3.85	4.74	5.16
9 to 9½ years (6/1/70)	35.83	71.66	143.32	286.64	716.60	1,433.20	3.90	5.47	5.89

Redemption values and investment yields to first and second extended maturity on basis of June 1, 1970, revision

9½ to 10 years (12/1/70)	36.81	73.62	147.24	294.48	736.20	1,472.40	3.99	6.30	6.30
EXTENDED MATURITY VALUE (20 years from issue date) (6/1/71)	**37.97**	**75.94**	**151.88**	**303.76**	**759.40**	**1,518.80**	[3] **4.10**		

Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year (6/1/71)	$37.97	$75.94	$151.88	$303.76	$759.40	$1,518.80	0.00	5.48	5.50
½ to 1 year (12/1/71)	39.01	78.02	156.04	312.08	780.20	1,560.40	5.48	5.54	5.50
1 to 1½ years (6/1/72)	40.09	80.18	160.36	320.72	801.80	1,603.60	5.51	5.49	5.50
1½ to 2 years (12/1/72)	41.19	82.38	164.76	329.52	823.80	1,647.60	5.50	5.49	5.50
2 to 2½ years (6/1/73)	42.32	84.64	169.28	338.56	846.40	1,692.80	5.50	5.53	5.50
2½ to 3 years (12/1/73)	43.49	86.98	173.96	347.92	869.80	1,739.60	5.50	5.47	5.50
3 to 3½ years (6/1/74)	44.68	89.36	178.72	357.44	893.60	1,787.20	5.50	5.51	5.50
3½ to 4 years (12/1/74)	45.91	91.82	183.64	367.28	918.20	1,836.40	5.50	5.49	5.50
4 to 4½ years (6/1/75)	47.17	94.34	188.68	377.36	943.40	1,886.80	5.50	5.51	5.50
4½ to 5 years (12/1/75)	48.47	96.94	193.88	387.76	969.40	1,938.80	5.50	5.49	5.50
5 to 5½ years (6/1/76)	49.80	99.60	199.20	398.40	996.00	1,992.00	5.50	5.50	5.50
5½ to 6 years (12/1/76)	51.17	102.34	204.68	409.36	1,023.40	2,046.80	5.50	5.51	5.50
6 to 6½ years (6/1/77)	52.58	105.16	210.32	420.64	1,051.60	2,103.20	5.50	5.52	5.50
6½ to 7 years (12/1/77)	54.03	108.06	216.12	432.24	1,080.60	2,161.20	5.50	5.48	5.50
7 to 7½ years (6/1/78)	55.51	111.02	222.04	444.08	1,110.20	2,220.40	5.50	5.51	5.50
7½ to 8 years (12/1/78)	57.04	114.08	228.16	456.32	1,140.80	2,281.60	5.50	5.50	5.50
8 to 8½ years (6/1/79)	58.61	117.22	234.44	468.88	1,172.20	2,344.40	5.50	5.49	5.49
8½ to 9 years (12/1/79)	60.22	120.44	240.88	481.76	1,204.40	2,408.80	5.50	5.48	5.49
9 to 9½ years (6/1/80)	61.87	123.74	247.48	494.96	1,237.40	2,474.80	5.50	5.53	5.50
9½ to 10 years (12/1/80)	63.58	127.16	254.32	508.64	1,271.60	2,543.20	5.50	5.47	5.47
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/81)	**65.32**	**130.64**	**261.28**	**522.56**	**1,306.40**	**2,612.80**	[3] **5.50**		

[1] Month, day, and year on which issues of June 1, 1951, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to first extended maturity date is 3.56 percent; to second extended maturity date is 4.20 percent.

TABLE 25

BONDS BEARING ISSUE DATE DECEMBER 1, 1951

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00			
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)						(2) From beginning of each extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period (a) to first extended maturity [2]
	FIRST EXTENDED MATURITY PERIOD								
							Percent	*Percent*	*Percent*
First ½ year [1] (12/1/61)	$25.37	$50.74	$101.48	$202.96	$507.40	$1,014.80	0.00	3.55	3.75
½ to 1 year (6/1/62)	25.82	51.64	103.28	206.56	516.40	1,032.80	3.55	3.49	3.76
1 to 1½ years (12/1/62)	26.27	52.54	105.08	210.16	525.40	1,050.80	3.52	3.58	3.78
1½ to 2 years (6/1/63)	26.74	53.48	106.96	213.92	534.80	1,069.60	3.54	3.59	3.79
2 to 2½ years (12/1/63)	27.22	54.44	108.88	217.76	544.40	1,088.80	3.55	3.67	3.80
2½ to 3 years (6/1/64)	27.72	55.44	110.88	221.76	554.40	1,108.80	3.58	3.61	3.81
3 to 3½ years (12/1/64)	28.22	56.44	112.88	225.76	564.40	1,128.80	3.58	3.69	3.82
3½ to 4 years (6/1/65)	28.74	57.48	114.96	229.92	574.80	1,149.60	3.60	3.69	3.84
4 to 4½ years (12/1/65)	29.27	58.54	117.08	234.16	585.40	1,170.80	3.61	3.76	4.25
4½ to 5 years (6/1/66)	29.82	59.64	119.28	238.56	596.40	1,192.80	3.62	3.82	4.29
5 to 5½ years (12/1/66)	30.39	60.78	121.56	243.12	607.80	1,215.60	3.64	3.95	4.34
5½ to 6 years (6/1/67)	30.99	61.98	123.96	247.92	619.80	1,239.60	3.67	3.94	4.39
6 to 6½ years (12/1/67)	31.60	63.20	126.40	252.80	632.00	1,264.00	3.69	4.18	4.44
6½ to 7 years (6/1/68)	32.26	64.52	129.04	258.08	645.20	1,290.40	3.73	4.22	4.58
7 to 7½ years (12/1/68)	32.94	65.88	131.76	263.52	658.80	1,317.60	3.77	4.25	4.64
7½ to 8 years (6/1/69)	33.64	67.28	134.56	269.12	672.80	1,345.60	3.80	4.46	5.00
8 to 8½ years (12/1/69)	34.39	68.78	137.56	275.12	687.80	1,375.60	3.84	4.71	5.13
8½ to 9 years (6/1/70)	35.20	70.40	140.80	281.60	704.00	1,408.00	3.89	5.34	5.78

Redemption values and investment yields to first and second extended maturity on basis of June 1, 1970, revision

9 to 9½ years (12/1/70)	36.14	72.28	144.56	289.12	722.80	1,445.60	3.97	5.53	6.00
9½ to 10 years (6/1/71)	37.14	74.28	148.56	297.12	742.80	1,485.60	4.05	6.46	6.46
EXTENDED MATURITY VALUE (20 years from issue date) (12/1/71)	**38.34**	**76.68**	**153.36**	**306.72**	**766.80**	**1,533.60**	[3] **4.17**		
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year (12/1/71)	$38.34	$76.68	$153.36	$306.72	$766.80	$1,533.60	0.00	5.48	5.50
½ to 1 year (6/1/72)	39.39	78.78	157.56	315.12	787.80	1,575.60	5.48	5.53	5.50
1 to 1½ years (12/1/72)	40.48	80.96	161.92	323.84	809.60	1,619.20	5.51	5.48	5.50
1½ to 2 years (6/1/73)	41.59	83.18	166.36	332.72	831.80	1,663.60	5.50	5.48	5.50
2 to 2½ years (12/1/73)	42.73	85.46	170.92	341.84	854.60	1,709.20	5.49	5.52	5.50
2½ to 3 years (6/1/74)	43.91	87.82	175.64	351.28	878.20	1,756.40	5.50	5.51	5.50
3 to 3½ years (12/1/74)	45.12	90.24	180.48	360.96	902.40	1,804.80	5.50	5.50	5.50
3½ to 4 years (6/1/75)	46.36	92.72	185.44	370.88	927.20	1,854.40	5.50	5.48	5.50
4 to 4½ years (12/1/75)	47.63	95.26	190.52	381.04	952.60	1,905.20	5.50	5.50	5.50
4½ to 5 years (6/1/76)	48.94	97.88	195.76	391.52	978.80	1,957.60	5.50	5.52	5.50
5 to 5½ years (12/1/76)	50.29	100.58	201.16	402.32	1,005.80	2,011.60	5.50	5.49	5.50
5½ to 6 years (6/1/77)	51.67	103.34	206.68	413.36	1,033.40	2,066.80	5.50	5.50	5.50
6 to 6½ years (12/1/77)	53.09	106.18	212.36	424.72	1,061.80	2,123.60	5.50	5.50	5.50
6½ to 7 years (6/1/78)	54.55	109.10	218.20	436.40	1,091.00	2,182.00	5.50	5.50	5.50
7 to 7½ years (12/1/78)	56.05	112.10	224.20	448.40	1,121.00	2,242.00	5.50	5.50	5.50
7½ to 8 years (6/1/79)	57.59	115.18	230.36	460.72	1,151.80	2,303.60	5.50	5.52	5.50
8 to 8½ years (12/1/79)	59.18	118.36	236.72	473.44	1,183.60	2,367.20	5.50	5.51	5.50
8½ to 9 years (6/1/80)	60.81	121.62	243.24	486.48	1,216.20	2,432.40	5.50	5.49	5.49
9 to 9½ years (12/1/80)	62.48	124.96	249.92	499.84	1,249.60	2,499.20	5.50	5.51	5.49
9½ to 10 years (6/1/81)	64.20	128.40	256.80	513.60	1,284.00	2,568.00	5.50	5.48	5.48
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/81)	**65.96**	**131.92**	**263.84**	**527.68**	**1,319.20**	**2,638.40**	[3] **5.50**		

[1] Month, day, and year on which issues of Dec. 1, 1951, enter each period.

[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to first extended maturity date is 3.61 percent; to second extended maturity date is 4.24 percent.

TABLE 26

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH APRIL 1, 1952

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**			
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD						(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
							Percent	*Percent*	*Percent*
First ½ year [1](1/1/62)	$25.37	$50.74	$101.48	$202.96	$507.40	$1,014.80	0.00	3.55	3.75
½ to 1 years (7/1/62)	25.82	51.64	103.28	206.56	516.40	1,032.80	3.55	3.49	3.76
1 to 1½ years (1/1/63)	26.27	52.54	105.08	210.16	525.40	1,050.80	3.52	3.58	3.78
1½ to 2 years (7/1/63)	26.74	53.48	106.96	213.92	534.80	1,069.60	3.54	3.59	3.79
2 to 2½ years (1/1/64)	27.22	54.44	108.88	217.76	544.40	1,088.80	3.55	3.67	3.80
2½ to 3 years (7/1/64)	27.72	55.44	110.88	221.76	554.40	1,108.80	3.58	3.61	3.81
3 to 3½ years (1/1/65)	28.22	56.44	112.88	225.76	564.40	1,128.80	3.58	3.69	3.82
3½ to 4 years (7/1/65)	28.74	57.48	114.96	229.92	574.80	1,149.60	3.60	3.69	3.84
4 to 4½ years (1/1/66)	29.27	58.54	117.08	234.16	585.40	1,170.80	3.61	3.76	4.25
4½ to 5 years (7/1/66)	29.82	59.64	119.28	238.56	596.40	1,192.80	3.62	3.82	4.29
5 to 5½ years (1/1/67)	30.39	60.78	121.56	243.12	607.80	1,215.60	3.64	3.95	4.34
5½ to 6 years (7/1/67)	30.99	61.98	123.96	247.92	619.80	1,239.60	3.67	3.94	4.39
6 to 6½ years (1/1/68)	31.60	63.20	126.40	252.80	632.00	1,264.00	3.69	4.18	4.44
6½ to 7 years (7/1/68)	32.26	64.52	129.04	258.08	645.20	1,290.40	3.73	4.22	4.58
7 to 7½ years (1/1/69)	32.94	65.88	131.76	263.52	658.80	1,317.60	3.77	4.25	4.64
7½ to 8 years (7/1/69)	33.64	67.28	134.56	269.12	672.80	1,345.60	3.80	4.46	5.00
8 to 8½ years (1/1/70)	34.39	68.78	137.56	275.12	687.80	1,375.60	3.84	4.71	5.13
8½ to 9 years (7/1/70)	35.20	70.40	140.80	281.60	704.00	1,408.00	3.89	5.34	5.78
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision									
9 to 9½ years (1/1/71)	36.14	72.28	144.56	289.12	722.80	1,445.60	3.97	5.53	6.00
9½ to 10 years (7/1/71)	37.14	74.28	148.56	297.12	742.80	1,485.60	4.05	6.46	6.46
EXTENDED MATURITY VALUE (20 years from issue date) (1/1/72)	**38.34**	**76.68**	**153.36**	**306.72**	**766.80**	**1,533.60**	[3] **4.17**		

[1] Month, day, and year on which issues of Jan. 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.61 percent.

TABLE 27

BONDS BEARING ISSUE DATE MAY 1, 1952

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (1/1/62)	$25.27	$50.54	$101.08	$202.16	$505.40	$1,010.80	$10,108	0.00	3.48	3.75
½ to 1 year (7/1/62)	25.71	51.42	102.84	205.68	514.20	1,028.40	10,284	3.48	3.58	3.76
1 to 1½ years (1/1/63)	26.17	52.34	104.68	209.36	523.40	1,046.80	10,468	3.53	3.59	3.77
1½ to 2 years (7/1/63)	26.64	53.28	106.56	213.12	532.80	1,065.60	10,656	3.55	3.60	3.79
2 to 2½ years (1/1/64)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	3.56	3.61	3.80
2½ to 3 years (7/1/64)	27.61	55.22	110.44	220.88	552.20	1,104.40	11,044	3.57	3.62	3.81
3 to 3½ years (1/1/65)	28.11	56.22	112.44	224.88	562.20	1,124.40	11,244	3.58	3.63	3.82
3½ to 4 years (7/1/65)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	3.59	3.70	3.84
4 to 4½ years (1/1/66)	29.15	58.30	116.60	233.20	583.00	1,166.00	11,660	3.60	3.77	4.25
4½ to 5 years (7/1/66)	29.70	59.40	118.80	237.60	594.00	1,188.00	11,880	3.62	3.84	4.30
5 to 5½ years (1/1/67)	30.27	60.54	121.08	242.16	605.40	1,210.80	12,108	3.64	3.96	4.34
5½ to 6 years (7/1/67)	30.87	61.74	123.48	246.96	617.40	1,234.80	12,348	3.67	3.95	4.38
6 to 6½ years (1/1/68)	31.48	62.96	125.92	251.84	629.60	1,259.20	12,592	3.70	4.13	4.44
6½ to 7 years (7/1/68)	32.13	64.26	128.52	257.04	642.60	1,285.20	12,852	3.73	4.23	4.58
7 to 7½ years (1/1/69)	32.81	65.62	131.24	262.48	656.20	1,312.40	13,124	3.77	4.27	4.64
7½ to 8 years (7/1/69)	33.51	67.02	134.04	268.08	670.20	1,340.40	13,404	3.80	4.48	5.00
8 to 8½ years (1/1/70)	34.26	68.52	137.04	274.08	685.20	1,370.40	13,704	3.84	4.67	5.13
8½ to 9 years (7/1/70)	35.06	70.12	140.24	280.48	701.20	1,402.40	14,024	3.89	5.36	5.78
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
9 to 9½ years (1/1/71)	36.00	72.00	144.00	288.00	720.00	1,440.00	14,400	3.97	5.50	5.99
9½ to 10 years (7/1/71)	36.99	73.98	147.96	295.92	739.80	1,479.60	14,796	4.05	6.49	6.49
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (1/1/72)	**38.19**	**76.38**	**152.76**	**305.52**	**763.80**	**1,527.60**	**15,276**	[3] **4.17**		

[1] Month, day, and year on which issues of May 1, 1952, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.65 percent.

TABLE 28

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1952

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (2/1/62)	$25.33	$50.66	$101.32	$202.64	$506.60	$1,013.20	$10,132	0.00	3.55	3.75
½ to 1 year (8/1/62)	25.78	51.56	103.12	206.24	515.60	1,031.20	10,312	3.55	3.49	3.76
1 to 1½ years (2/1/63)	26.23	52.46	104.92	209.84	524.60	1,049.20	10,492	3.52	3.58	3.78
1½ to 2 years (8/1/63)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.54	3.60	3.79
2 to 2½ years (2/1/64)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.56	3.61	3.80
2½ to 3 years (8/1/64)	27.67	55.34	110.68	221.36	553.40	1,106.80	11,068	3.57	3.69	3.81
3 to 3½ years (2/1/65)	28.18	56.36	112.72	225.44	563.60	1,127.20	11,272	3.59	3.62	3.82
3½ to 4 years (8/1/65)	28.69	57.38	114.76	229.52	573.80	1,147.60	11,476	3.59	3.69	3.84
4 to 4½ years (2/1/66)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	3.60	3.76	4.25
4½ to 5 years (8/1/66)	29.77	59.54	119.08	238.16	595.40	1,190.80	11,908	3.62	3.83	4.30
5 to 5½ years (2/1/67)	30.34	60.68	121.36	242.72	606.80	1,213.60	12,136	3.64	3.96	4.34
5½ to 6 years (8/1/67)	30.94	61.88	123.76	247.52	618.80	1,237.60	12,376	3.67	4.01	4.39
6 to 6½ years (2/1/68)	31.56	63.12	126.24	252.48	631.20	1,262.40	12,624	3.70	4.06	4.43
6½ to 7 years (8/1/68)	32.20	64.40	128.80	257.60	644.00	1,288.00	12,880	3.73	4.29	4.59
7 to 7½ years (2/1/69)	32.89	65.78	131.56	263.12	657.80	1,315.60	13,156	3.77	4.26	4.64
7½ to 8 years (8/1/69)	33.59	67.18	134.36	268.72	671.80	1,343.60	13,436	3.80	4.47	5.00
8 to 8½ years (2/1/70)	34.34	68.68	137.36	274.72	686.80	1,373.60	13,736	3.84	4.66	5.13
8½ to 9 years (8/1/70)	35.14	70.28	140.56	281.12	702.80	1,405.60	14,056	3.89	5.35	5.79
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
9 to 9½ years (2/1/71)	36.08	72.16	144.32	288.64	721.60	1,443.20	14,432	3.97	5.54	6.01
9½ to 10 years (8/1/71)	37.08	74.16	148.32	296.64	741.60	1,483.20	14,832	4.05	6.47	6.47
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/72)	**38.28**	**76.56**	**153.12**	**306.24**	**765.60**	**1,531.20**	**15,312**	[3] **4.17**	-----	-----

[1] Month, day, and year on which issues of June 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.66 percent.

TABLE 29

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1952

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000	

Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD									
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/62)	$25.33	$50.66	$101.32	$202.64	$506.60	$1,013.20	$10,132	0.00	3.55	3.75
½ to 1 year (12/1/62)	25.78	51.56	103.12	206.24	515.60	1,031.20	10,312	3.55	3.49	3.76
1 to 1½ years (6/1/63)	26.23	52.46	104.92	209.84	524.60	1,049.20	10,492	3.52	3.58	3.78
1½ to 2 years (12/1/63)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.54	3.60	3.79
2 to 2½ years (6/1/64)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.56	3.61	3.80
2½ to 3 years (12/1/64)	27.67	55.34	110.68	221.36	553.40	1,106.80	11,068	3.57	3.69	3.81
3 to 3½ years (6/1/65)	28.18	56.36	112.72	225.44	563.60	1,127.20	11,272	3.59	3.62	3.82
3½ to 4 years (12/1/65)	28.69	57.38	114.76	229.52	573.80	1,147.60	11,476	3.59	3.76	4.24
4 to 4½ years (6/1/66)	29.23	58.46	116.92	233.84	584.60	1,169.20	11,692	3.61	3.76	4.28
4½ to 5 years (12/1/66)	29.78	59.56	119.12	238.24	595.60	1,191.20	11,912	3.63	3.90	4.32
5 to 5½ years (6/1/67)	30.36	60.72	121.44	242.88	607.20	1,214.40	12,144	3.66	4.02	4.37
5½ to 6 years (12/1/67)	30.97	61.94	123.88	247.76	619.40	1,238.80	12,388	3.69	4.07	4.41
6 to 6½ years (6/1/68)	31.60	63.20	126.40	252.80	632.00	1,264.00	12,640	3.72	4.11	4.55
6½ to 7 years (12/1/68)	32.25	64.50	129.00	258.00	645.00	1,290.00	12,900	3.75	4.28	4.61
7 to 7½ years (6/1/69)	32.94	65.88	131.76	263.52	658.80	1,317.60	13,176	3.79	4.37	5.00
7½ to 8 years (12/1/69)	33.66	67.32	134.64	269.28	673.20	1,346.40	13,464	3.83	4.58	5.13
8 to 8½ years (6/1/70)	34.43	68.86	137.72	275.44	688.60	1,377.20	13,772	3.87	5.29	5.76
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
8½ to 9 years (12/1/70)	35.34	70.68	141.36	282.72	706.80	1,413.60	14,136	3.96	5.49	5.92
9 to 9½ years (6/1/71)	36.31	72.62	145.24	290.48	726.20	1,452.40	14,524	4.04	5.62	6.13
9½ to 10 years (12/1/71)	37.33	74.66	149.32	298.64	746.60	1,493.20	14,932	4.12	6.64	6.64
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/72)	38.57	77.14	154.28	308.56	771.40	1,542.80	15,428	[3] 4.25		

[1] Month, day, and year on which issues of Oct. 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.70 percent.

TABLE 30

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1952 THROUGH MARCH 1, 1953

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (8/1/62)	$25.39	$50.78	$101.56	$203.12	$507.80	$1,015.60	$10,156	0.00	3.54	3.75
½ to 1 year (2/1/63)	25.84	51.68	103.36	206.72	516.80	1,033.60	10,336	3.54	3.48	3.76
1 to 1½ years (8/1/63)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	3.51	3.58	3.77
1½ to 2 years (2/1/64)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	3.53	3.59	3.79
2 to 2½ years (8/1/64)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	3.55	3.67	3.80
2½ to 3 years (2/1/65)	27.74	55.48	110.96	221.92	554.80	1,109.60	11,096	3.57	3.60	3.81
3 to 3½ years (8/1/65)	28.24	56.48	112.96	225.92	564.80	1,129.60	11,296	3.58	3.68	3.82
3½ to 4 years (2/1/66)	28.76	57.52	115.04	230.08	575.20	1,150.40	11,504	3.59	3.76	4.23
4 to 4½ years (8/1/66)	29.30	58.60	117.20	234.40	586.00	1,172.00	11,720	3.61	3.75	4.27
4½ to 5 years (2/1/67)	29.85	59.70	119.40	238.80	597.00	1,194.00	11,940	3.63	3.89	4.32
5 to 5½ years (8/1/67)	30.43	60.86	121.72	243.44	608.60	1,217.20	12,172	3.65	4.01	4.36
5½ to 6 years (2/1/68)	31.04	62.08	124.16	248.32	620.80	1,241.60	12,416	3.69	4.06	4.40
6 to 6½ years (8/1/68)	31.67	63.34	126.68	253.36	633.40	1,266.80	12,668	3.72	4.17	4.55
6½ to 7 years (2/1/69)	32.33	64.66	129.32	258.64	646.60	1,293.20	12,932	3.75	4.27	4.60
7 to 7½ years (8/1/69)	33.02	66.04	132.08	264.16	660.40	1,320.80	13,208	3.79	4.36	5.00
7½ to 8 years (2/1/70)	33.74	67.48	134.96	269.92	674.80	1,349.60	13,496	3.83	4.56	5.12
8 to 8½ years (8/1/70)	34.51	69.02	138.04	276.08	690.20	1,380.40	13,804	3.87	5.27	5.77
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
8½ to 9 years (2/1/71)	35.42	70.84	141.68	283.36	708.40	1,416.80	14,168	3.96	5.53	5.94
9 to 9½ years (8/1/71)	36.40	72.80	145.60	291.20	728.00	1,456.00	14,560	4.04	5.66	6.14
9½ to 10 years (2/1/72)	37.43	74.86	149.72	299.44	748.60	1,497.20	14,972	4.13	6.63	6.63
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/72)	**38.67**	**77.34**	**154.68**	**309.36**	**773.40**	**1,546.80**	**15,468**	[3] **4.25**		

[1] Month, day, and year on which issues of Dec. 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.71 percent.

TABLE 31

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1953

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/62)	$25.39	$50.78	$101.56	$203.12	$507.80	$1,015.60	$10,156	0.00	3.54	3.75
½ to 1 year (6/1/63)	25.84	51.68	103.36	206.72	516.80	1,033.60	10,336	3.54	3.48	3.76
1 to 1½ years (12/1/63)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	3.51	3.58	3.77
1½ to 2 years (6/1/64)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	3.53	3.59	3.79
2 to 2½ years (12/1/64)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	3.55	3.67	3.80
2½ to 3 years (6/1/65)	27.74	55.48	110.96	221.92	554.80	1,109.60	11,096	3.57	3.60	3.81
3 to 3½ years (12/1/65)	28.24	56.48	112.96	225.92	564.80	1,129.60	11,296	3.58	3.75	4.22
3½ to 4 years (6/1/66)	28.77	57.54	115.08	230.16	575.40	1,150.80	11,508	3.60	3.75	4.26
4 to 4½ years (12/1/66)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	3.62	3.82	4.30
4½ to 5 years (6/1/67)	29.87	59.74	119.48	238.96	597.40	1,194.80	11,948	3.64	3.95	4.35
5 to 5½ years (12/1/67)	30.46	60.92	121.84	243.68	609.20	1,218.40	12,184	3.67	4.01	4.39
5½ to 6 years (6/1/68)	31.07	62.14	124.28	248.56	621.40	1,242.80	12,428	3.70	4.12	4.53
6 to 6½ years (12/1/68)	31.71	63.42	126.84	253.68	634.20	1,268.40	12,684	3.74	4.23	4.58
6½ to 7 years (6/1/69)	32.38	64.76	129.52	259.04	647.60	1,295.20	12,952	3.78	4.32	5.00
7 to 7½ years (12/1/69)	33.08	66.16	132.32	264.64	661.60	1,323.20	13,232	3.82	4.47	5.11
7½ to 8 years (6/1/70)	33.82	67.64	135.28	270.56	676.40	1,352.80	13,528	3.86	5.20	5.74
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
8 to 8½ years (12/1/70)	34.70	69.40	138.80	277.60	694.00	1,388.00	13,880	3.94	5.36	5.87
8½ to 9 years (6/1/71)	35.63	71.26	142.52	285.04	712.60	1,425.20	14,252	4.03	5.61	6.05
9 to 9½ years (12/1/71)	36.63	73.26	146.52	293.04	732.60	1,465.20	14,652	4.11	5.73	6.26
9½ to 10 years (6/1/72)	37.68	75.36	150.72	301.44	753.60	1,507.20	15,072	4.20	6.79	6.79
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/72)	**38.96**	**77.92**	**155.84**	**311.68**	**779.20**	**1,558.40**	**15,584**	[3] 4.33		

[1] Month, day, and year on which issues of Apr. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.75 percent.

TABLE 32

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1953

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (2/1/63)	$25.45	$50.90	$101.80	$203.60	$509.00	$1,018.00	$10,180	0.00	3.54	3.75
½ to 1 year (8/1/63)	25.90	51.80	103.60	207.20	518.00	1,036.00	10,360	3.54	3.55	3.76
1 to 1½ years (2/1/64)	26.36	52.72	105.44	210.88	527.20	1,054.40	10,544	3.54	3.57	3.77
1½ to 2 years (8/1/64)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	3.55	3.58	3.78
2 to 2½ years (2/1/65)	27.31	54.62	109.24	218.48	546.20	1,092.40	10,924	3.56	3.59	3.80
2½ to 3 years (8/1/65)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	3.56	3.67	3.81
3 to 3½ years (2/1/66)	28.31	56.62	113.24	226.48	566.20	1,132.40	11,324	3.58	3.74	4.22
3½ to 4 years (8/1/66)	28.84	57.68	115.36	230.72	576.80	1,153.60	11,536	3.60	3.74	4.26
4 to 4½ years (2/1/67)	29.38	58.76	117.52	235.04	587.60	1,175.20	11,752	3.62	3.81	4.30
4½ to 5 years (8/1/67)	29.94	59.88	119.76	239.52	598.80	1,197.60	11,976	3.64	3.94	4.35
5 to 5½ years (2/1/68)	30.53	61.06	122.12	244.24	610.60	1,221.20	12,212	3.67	4.06	4.39
5½ to 6 years (8/1/68)	31.15	62.30	124.60	249.20	623.00	1,246.00	12,460	3.71	4.04	4.53
6 to 6½ years (2/1/69)	31.78	63.56	127.12	254.24	635.60	1,271.20	12,712	3.74	4.28	4.59
6½ to 7 years (8/1/69)	32.46	64.92	129.84	259.68	649.20	1,298.40	12,984	3.78	4.25	5.00
7 to 7½ years (2/1/70)	33.15	66.30	132.60	265.20	663.00	1,326.00	13,260	3.81	4.59	5.12
7½ to 8 years (8/1/70)	33.91	67.82	135.64	271.28	678.20	1,356.40	13,564	3.86	5.13	5.73
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
8 to 8½ years (2/1/71)	34.78	69.56	139.12	278.24	695.60	1,391.20	13,912	3.94	5.41	5.87
8½ to 9 years (8/1/71)	35.72	71.44	142.88	285.76	714.40	1,428.80	14,288	4.03	5.54	6.03
9 to 9½ years (2/1/72)	36.71	73.42	146.84	293.68	734.20	1,468.40	14,684	4.11	5.77	6.28
9½ to 10 years (8/1/72)	37.77	75.54	151.08	302.16	755.40	1,510.80	15,108	4.20	6.78	6.78
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/73)	**39.05**	**78.10**	**156.20**	**312.40**	**781.00**	**1,562.00**	**15,620**	[3] 4.33		

[1] Month, day, and year on which issues of June 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.77 percent

TABLE 33

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1953

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/63)	$25.45	$50.90	$101.80	$203.60	$509.00	$1,018.00	$10,180	0.00	3.54	3.75
½ to 1 year (12/1/63)	25.90	51.80	103.60	207.20	518.00	1,036.00	10,360	3.54	3.55	3.76
1 to 1½ years (6/1/64)	26.36	52.72	105.44	210.88	527.20	1,054.40	10,544	3.54	3.57	3.77
1½ to 2 years (12/1/64)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	3.55	3.58	3.78
2 to 2½ years (6/1/65)	27.31	54.62	109.24	218.48	546.20	1,092.40	10,924	3.56	3.59	3.80
2½ to 3 years (12/1/65)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	3.56	3.74	4.21
3 to 3½ years (6/1/66)	28.32	56.64	113.28	226.56	566.40	1,132.80	11,328	3.59	3.74	4.24
3½ to 4 years (12/1/66)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	3.61	3.81	4.28
4 to 4½ years (6/1/67)	29.40	58.80	117.60	235.20	588.00	1,176.00	11,760	3.64	3.81	4.32
4½ to 5 years (12/1/67)	29.96	59.92	119.84	239.68	599.20	1,198.40	11,984	3.66	4.01	4.37
5 to 5½ years (6/1/68)	30.56	61.12	122.24	244.48	611.20	1,222.40	12,224	3.69	4.12	4.51
5½ to 6 years (12/1/68)	31.19	62.38	124.76	249.52	623.80	1,247.60	12,476	3.73	4.10	4.55
6 to 6½ years (6/1/69)	31.83	63.66	127.32	254.64	636.60	1,273.20	12,732	3.76	4.34	5.00
6½ to 7 years (12/1/69)	32.52	65.04	130.08	260.16	650.40	1,300.80	13,008	3.81	4.31	5.09
7 to 7½ years (6/1/70)	33.22	66.44	132.88	265.76	664.40	1,328.80	13,288	3.84	5.18	5.73
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
7½ to 8 years (12/1/70)	34.08	68.16	136.32	272.64	681.60	1,363.20	13,632	3.93	5.28	5.83
8 to 8½ years (6/1/71)	34.98	69.96	139.92	279.84	699.60	1,399.20	13,992	4.02	5.49	5.97
8½ to 9 years (12/1/71)	35.94	71.88	143.76	287.52	718.80	1,437.60	14,376	4.10	5.68	6.14
9 to 9½ years (6/1/72)	36.96	73.92	147.84	295.68	739.20	1,478.40	14,784	4.19	5.79	6.37
9½ to 10 years (12/1/72)	38.03	76.06	152.12	304.24	760.60	1,521.20	15,212	4.27	6.94	6.94
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/73)	**39.35**	**78.70**	**157.40**	**314.80**	**787.00**	**1,574.00**	**15,740**	**[3] 4.41**	----------	----------

[1] Month, day, and year on which issues of Oct. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.81 percent.

TABLE 34

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1953, THROUGH MARCH 1, 1954

Period after original maturity (beginning 9 years 8 months after issue date)		Issue price $18.75 / Denomination 25.00	Issue price $37.50 / Denomination 50.00	Issue price $75.00 / Denomination 100.00	Issue price $150.00 / Denomination 200.00	Issue price $375.00 / Denomination 500.00	Issue price $750.00 / Denomination 1,000.00	Issue price $7,500 / Denomination 10,000	Approximate investment yield (annual percentage rate) (2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
		(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							*Percent*	*Percent*	*Percent*
First ½ year [1]	(8/1/63)	$25.52	$51.04	$102.08	$204.16	$510.40	$1,020.80	$10,208	0.00	3.53	3.75
½ to 1 year	(2/1/64)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	3.53	3.54	3.76
1 to 1½ years	(8/1/64)	26.43	52.86	105.72	211.44	528.60	1,057.20	10,572	3.53	3.56	3.77
1½ to 2 years	(2/1/65)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	3.54	3.57	3.79
2 to 2½ years	(8/1/65)	27.38	54.76	109.52	219.04	547.60	1,095.20	10,952	3.55	3.65	3.80
2½ to 3 years	(2/1/66)	27.88	55.76	111.52	223.04	557.60	1,115.20	11,152	3.57	3.73	4.21
3 to 3½ years	(8/1/66)	28.40	56.80	113.60	227.20	568.00	1,136.00	11,360	3.60	3.73	4.25
3½ to 4 years	(2/1/67)	28.93	57.86	115.72	231.44	578.60	1,157.20	11,572	3.62	3.80	4.29
4 to 4½ years	(8/1/67)	29.48	58.96	117.92	235.84	589.60	1,179.20	11,792	3.64	3.87	4.33
4½ to 5 years	(2/1/68)	30.05	60.10	120.20	240.40	601.00	1,202.00	12,020	3.66	3.99	4.37
5 to 5½ years	(8/1/68)	30.65	61.30	122.60	245.20	613.00	1,226.00	12,260	3.70	4.05	4.51
5½ to 6 years	(2/1/69)	31.27	62.54	125.08	250.16	625.40	1,250.80	12,508	3.73	4.16	4.56
6 to 6½ years	(8/1/69)	31.92	63.84	127.68	255.36	638.40	1,276.80	12,768	3.76	4.32	5.00
6½ to 7 years	(2/1/70)	32.61	65.22	130.44	260.88	652.20	1,304.40	13,044	3.81	4.42	5.10
7 to 7½ years	(8/1/70)	33.33	66.66	133.32	266.64	666.60	1,333.20	13,332	3.85	5.04	5.71
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision											
7½ to 8 years	(2/1/71)	34.17	68.34	136.68	273.36	683.40	1,366.80	13,668	3.93	5.27	5.84
8 to 8½ years	(8/1/71)	35.07	70.14	140.28	280.56	701.40	1,402.80	14,028	4.01	5.47	5.98
8½ to 9 years	(2/1/72)	36.03	72.06	144.12	288.24	720.60	1,441.20	14,412	4.10	5.72	6.16
9 to 9½ years	(8/1/72)	37.06	74.12	148.24	296.48	741.20	1,482.40	14,824	4.19	5.77	6.37
9½ to 10 years	(2/1/73)	38.13	76.26	152.52	305.04	762.60	1,525.20	15,252	4.27	6.98	6.98
EXTENDED MATURITY VALUE (19 years and 8 months from issue date)	**(8/1/73)**	**39.46**	**78.92**	**157.84**	**315.68**	**789.20**	**1,578.40**	**15,784**	**[3] 4.41**		

[1] Month, day, and year on which issues of Dec. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.82 percent.

TABLE 35

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year .... [1](12/1/63)	$25.52	$51.04	$102.08	$204.16	$510.40	$1,020.80	$10,208	0.00	3.53	3.75
½ to 1 year .... (6/1/64)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	3.53	3.54	3.76
1 to 1½ years .... (12/1/64)	26.43	52.86	105.72	211.44	528.60	1,057.20	10,572	3.53	3.56	3.77
1½ to 2 years .... (6/1/65)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	3.54	3.57	3.79
2 to 2½ years .... (12/1/65)	27.38	54.76	109.52	219.04	547.60	1,095.20	10,952	3.55	3.73	4.20
2½ to 3 years .... (6/1/66)	27.89	55.78	111.56	223.12	557.80	1,115.60	11,156	3.58	3.73	4.23
3 to 3½ years .... (12/1/66)	28.41	56.82	113.64	227.28	568.20	1,136.40	11,364	3.61	3.73	4.27
3½ to 4 years .... (6/1/67)	28.94	57.88	115.76	231.52	578.80	1,157.60	11,576	3.63	3.87	4.31
4 to 4½ years .... (12/1/67)	29.50	59.00	118.00	236.00	590.00	1,180.00	11,800	3.66	3.93	4.35
4½ to 5 years .... (6/1/68)	30.08	60.16	120.32	240.64	601.60	1,203.20	12,032	3.69	4.06	4.48
5 to 5½ years .... (12/1/68)	30.69	61.38	122.76	245.52	613.80	1,227.60	12,276	3.72	4.04	4.53
5½ to 6 years .... (6/1/69)	31.31	62.62	125.24	250.48	626.20	1,252.40	12,524	3.75	4.22	5.00
6 to 6½ years .... (12/1/69)	31.97	63.94	127.88	255.76	639.40	1,278.80	12,788	3.79	4.44	5.10
6½ to 7 years .... (6/1/70)	32.68	65.36	130.72	261.44	653.60	1,307.20	13,072	3.84	5.02	5.69
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
7 to 7½ years .... (12/1/70)	33.50	67.00	134.00	268.00	670.00	1,340.00	13,400	3.92	5.19	5.80
7½ to 8 years .... (6/1/71)	34.37	68.74	137.48	274.96	687.40	1,374.80	13,748	4.01	5.41	5.92
8 to 8½ years .... (12/1/71)	35.30	70.60	141.20	282.40	706.00	1,412.00	14,120	4.10	5.50	6.05
8½ to 9 years .... (6/1/72)	36.27	72.54	145.08	290.16	725.40	1,450.80	14,508	4.18	5.73	6.24
9 to 9½ years .... (12/1/72)	37.31	74.62	149.24	298.48	746.20	1,492.40	14,924	4.26	5.90	6.49
9½ to 10 years .... (6/1/73)	38.41	76.82	153.64	307.28	768.20	1,536.40	15,364	4.35	7.08	7.08
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) .... (12/1/73)	39.77	79.54	159.08	318.16	795.40	1,590.80	15,908	[3] 4.49	....	....

[1] Month, day, and year on which issues of Apr. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.86 percent.

TABLE 36

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (2/1/64)	$25.58	$51.16	$102.32	$204.64	$511.60	$1,023.20	$10,232	0.00	3.52	3.75
½ to 1 year (8/1/64)	26.03	52.06	104.12	208.24	520.60	1,041.20	10,412	3.52	3.53	3.76
1 to 1½ years (2/1/65)	26.49	52.98	105.96	211.92	529.80	1,059.60	10,596	3.53	3.55	3.77
1½ to 2 years (8/1/65)	26.96	53.92	107.84	215.68	539.20	1,078.40	10,784	3.53	3.64	3.79
2 to 2½ years (2/1/66)	27.45	54.90	109.80	219.60	549.00	1,098.00	10,980	3.56	3.64	4.20
2½ to 3 years (8/1/66)	27.95	55.90	111.80	223.60	559.00	1,118.00	11,180	3.58	3.72	4.24
3 to 3½ years (2/1/67)	28.47	56.94	113.88	227.76	569.40	1,138.80	11,388	3.60	3.79	4.27
3½ to 4 years (8/1/67)	29.01	58.02	116.04	232.08	580.20	1,160.40	11,604	3.63	3.86	4.31
4 to 4½ years (2/1/68)	29.57	59.14	118.28	236.56	591.40	1,182.80	11,828	3.66	3.92	4.35
4½ to 5 years (8/1/68)	30.15	60.30	120.60	241.20	603.00	1,206.00	12,060	3.69	4.05	4.49
5 to 5½ years (2/1/69)	30.76	61.52	123.04	246.08	615.20	1,230.40	12,304	3.72	4.10	4.53
5½ to 6 years (8/1/69)	31.39	62.78	125.56	251.12	627.80	1,255.60	12,556	3.76	4.21	5.00
6 to 6½ years (2/1/70)	32.05	64.10	128.20	256.40	641.00	1,282.00	12,820	3.79	4.37	5.10
6½ to 7 years (8/1/70)	32.75	65.50	131.00	262.00	655.00	1,310.00	13,100	3.84	5.01	5.70
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
7 to 7½ years (2/1/71)	33.57	67.14	134.28	268.56	671.40	1,342.80	13,428	3.92	5.24	5.82
7½ to 8 years (8/1/71)	34.45	68.90	137.80	275.60	689.00	1,378.00	13,780	4.01	5.40	5.93
8 to 8½ years (2/1/72)	35.38	70.76	141.52	283.04	707.60	1,415.20	14,152	4.10	5.48	6.06
8½ to 9 years (8/1/72)	36.35	72.70	145.40	290.80	727.00	1,454.00	14,540	4.18	5.72	6.26
9 to 9½ years (2/1/73)	37.39	74.78	149.56	299.12	747.80	1,495.60	14,956	4.26	5.94	6.53
9½ to 10 years (8/1/73)	38.50	77.00	154.00	308.00	770.00	1,540.00	15,400	4.35	7.12	7.12
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/74)	**39.87**	**79.74**	**159.48**	**318.96**	**797.40**	**1,594.80**	**15,948**	[3] 4.49		

[1] Month, day, and year on which issues of June 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.87 percent.

TABLE 37

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/64)	$25.58	$51.16	$102.32	$204.64	$511.60	$1,023.20	$10,232	0.00	3.52	3.75
½ to 1 year (12/1/64)	26.03	52.06	104.12	208.24	520.60	1,041.20	10,412	3.52	3.53	3.76
1 to 1½ years (6/1/65)	26.49	52.98	105.96	211.92	529.80	1,059.60	10,596	3.53	3.55	3.77
1½ to 2 years (12/1/65)	26.96	53.92	107.84	215.68	539.20	1,078.40	10,784	3.53	3.71	4.19
2 to 2½ years (6/1/66)	27.46	54.92	109.84	219.68	549.20	1,098.40	10,984	3.58	3.64	4.22
2½ to 3 years (12/1/66)	27.96	55.92	111.84	223.68	559.20	1,118.40	11,184	3.59	3.72	4.26
3 to 3½ years (6/1/67)	28.48	56.96	113.92	227.84	569.60	1,139.20	11,392	3.61	3.86	4.30
3½ to 4 years (12/1/67)	29.03	58.06	116.12	232.24	580.60	1,161.20	11,612	3.65	3.93	4.33
4 to 4½ years (6/1/68)	29.60	59.20	118.40	236.80	592.00	1,184.00	11,840	3.68	3.99	4.47
4½ to 5 years (12/1/68)	30.19	60.38	120.76	241.52	603.80	1,207.60	12,076	3.72	4.04	4.51
5 to 5½ years (6/1/69)	30.80	61.60	123.20	246.40	616.00	1,232.00	12,320	3.75	4.16	5.00
5½ to 6 years (12/1/69)	31.44	62.88	125.76	251.52	628.80	1,257.60	12,576	3.79	4.33	5.10
6 to 6½ years (6/1/70)	32.12	64.24	128.48	256.96	642.40	1,284.80	12,848	3.83	4.92	5.70
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
6½ to 7 years (12/1/70)	32.91	65.82	131.64	263.28	658.20	1,316.40	13,164	3.91	5.17	5.81
7 to 7½ years (6/1/71)	33.76	67.52	135.04	270.08	675.20	1,350.40	13,504	4.00	5.33	5.91
7½ to 8 years (12/1/71)	34.66	69.32	138.64	277.28	693.20	1,386.40	13,864	4.09	5.42	6.03
8 to 8½ years (6/1/72)	35.60	71.20	142.40	284.80	712.00	1,424.00	14,240	4.17	5.62	6.18
8½ to 9 years (12/1/72)	36.60	73.20	146.40	292.80	732.00	1,464.00	14,640	4.26	5.79	6.37
9 to 9½ years (6/1/73)	37.66	75.32	150.64	301.28	753.20	1,506.40	15,064	4.34	6.05	6.66
9½ to 10 years (12/1/73)	38.80	77.60	155.20	310.40	776.00	1,552.00	15,520	4.43	7.27	7.27
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/74)	**40.21**	**80.42**	**160.84**	**321.68**	**804.20**	**1,608.40**	**16,084**	[3] **4.57**		

[1] Month, day, and year on which issues of Oct. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.92 percent.

TABLE 38

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1954, THROUGH MARCH 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](8/1/64)	$25.64	$51.28	$102.56	$205.12	$512.80	$1,025.60	$10,256	0.00	3.51	3.75
½ to 1 year (2/1/65)	26.09	52.18	104.36	208.72	521.80	1,043.60	10,436	3.51	3.53	3.76
1 to 1½ years (8/1/65)	26.55	53.10	106.20	212.40	531.00	1,062.00	10,620	3.52	3.62	3.78
1½ to 2 years (2/1/66)	27.03	54.06	108.12	216.24	540.60	1,081.20	10,812	3.55	3.63	4.19
2 to 2½ years (8/1/66)	27.52	55.04	110.08	220.16	550.40	1,100.80	11,008	3.57	3.71	4.22
2½ to 3 years (2/1/67)	28.03	56.06	112.12	224.24	560.60	1,121.20	11,212	3.60	3.71	4.26
3 to 3½ years (8/1/67)	28.55	57.10	114.20	228.40	571.00	1,142.00	11,420	3.62	3.78	4.29
3½ to 4 years (2/1/68)	29.09	58.18	116.36	232.72	581.80	1,163.60	11,636	3.64	3.99	4.33
4 to 4½ years (8/1/68)	29.67	59.34	118.68	237.36	593.40	1,186.80	11,868	3.68	3.98	4.46
4½ to 5 years (2/1/69)	30.26	60.52	121.04	242.08	605.20	1,210.40	12,104	3.72	4.03	4.51
5 to 5½ years (8/1/69)	30.87	61.74	123.48	246.96	617.40	1,234.80	12,348	3.75	4.21	5.00
5½ to 6 years (2/1/70)	31.52	63.04	126.08	252.16	630.40	1,260.80	12,608	3.79	4.25	5.09
6 to 6½ years (8/1/70)	32.19	64.38	128.76	257.52	643.80	1,287.60	12,876	3.83	4.97	5.70
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
6½ to 7 years (2/1/71)	32.99	65.98	131.96	263.92	659.80	1,319.60	13,196	3.92	5.15	5.80
7 to 7½ years (8/1/71)	33.84	67.68	135.36	270.72	676.80	1,353.60	13,536	4.00	5.32	5.91
7½ to 8 years (2/1/72)	34.74	69.48	138.96	277.92	694.80	1,389.60	13,896	4.09	5.41	6.03
8 to 8½ years (8/1/72)	35.68	71.36	142.72	285.44	713.60	1,427.20	14,272	4.17	5.66	6.18
8½ to 9 years (2/1/73)	36.69	73.38	146.76	293.52	733.80	1,467.60	14,676	4.26	5.78	6.36
9 to 9½ years (8/1/73)	37.75	75.50	151.00	302.00	755.00	1,510.00	15,100	4.34	5.93	6.64
9½ to 10 years (2/1/74)	38.87	77.74	155.48	310.96	777.40	1,554.80	15,548	4.43	7.36	7.36
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/74)	**40.30**	**80.60**	**161.20**	**322.40**	**806.00**	**1,612.00**	**16,120**	[3] **4.57**		

[1] Month, day, and year on which issues of Dec. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.93 percent.

TABLE 39

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD									
								Percent	*Percent*	*Percent*
First ½ year [1](12/1/64)	$25.64	$51.28	$102.56	$205.12	$512.80	$1,025.60	$10,256	0.00	3.51	3.75
½ to 1 year (6/1/65)	26.09	52.18	104.36	208.72	521.80	1,043.60	10,436	3.51	3.53	3.76
1 to 1½ years (12/1/65)	26.55	53.10	106.20	212.40	531.00	1,062.00	10,620	3.52	3.69	4.18
1½ to 2 years (6/1/66)	27.04	54.08	108.16	216.32	540.80	1,081.60	10,816	3.58	3.62	4.21
2 to 2½ years (12/1/66)	27.53	55.06	110.12	220.24	550.60	1,101.20	11,012	3.59	3.71	4.24
2½ to 3 years (6/1/67)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	3.61	3.78	4.28
3 to 3½ years (12/1/67)	28.57	57.14	114.28	228.56	571.40	1,142.80	11,428	3.64	3.85	4.31
3½ to 4 years (6/1/68)	29.12	58.24	116.48	232.96	582.40	1,164.80	11,648	3.67	3.98	4.45
4 to 4½ years (12/1/68)	29.70	59.40	118.80	237.60	594.00	1,188.00	11,880	3.71	3.97	4.49
4½ to 5 years (6/1/69)	30.29	60.58	121.16	242.32	605.80	1,211.60	12,116	3.74	4.16	5.00
5 to 5½ years (12/1/69)	30.92	61.84	123.68	247.36	618.40	1,236.80	12,368	3.78	4.27	5.08
5½ to 6 years (6/1/70)	31.58	63.16	126.32	252.64	631.60	1,263.20	12,632	3.82	4.88	5.67
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
6 to 6½ years (12/1/70)	32.35	64.70	129.40	258.80	647.00	1,294.00	12,940	3.91	5.13	5.77
6½ to 7 years (6/1/71)	33.18	66.36	132.72	265.44	663.60	1,327.20	13,272	4.01	5.18	5.86
7 to 7½ years (12/1/71)	34.04	68.08	136.16	272.32	680.80	1,361.60	13,616	4.09	5.35	5.98
7½ to 8 years (6/1/72)	34.95	69.90	139.80	279.60	699.00	1,398.00	13,980	4.17	5.61	6.11
8 to 8½ years (12/1/72)	35.93	71.86	143.72	287.44	718.60	1,437.20	14,372	4.26	5.68	6.23
8½ to 9 years (6/1/73)	36.95	73.90	147.80	295.60	739.00	1,478.00	14,780	4.35	5.79	6.41
9 to 9½ years (12/1/73)	38.02	76.04	152.08	304.16	760.40	1,520.80	15,208	4.43	6.00	6.73
9½ to 10 years (6/1/74)	39.16	78.32	156.64	313.28	783.20	1,566.40	15,664	4.51	7.46	7.46
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/74)	**40.62**	**81.24**	**162.48**	**324.96**	**812.40**	**1,624.80**	**16,248**	[3] **4.65**		

[1] Month, day, and year on which issues of Apr. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.97 percent.

TABLE 40

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1955

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (2/1/65)	$25.71	$51.42	$102.84	$205.68	$514.20	$1,028.40	$10,284	0.00	3.50	3.75
½ to 1 year (8/1/65)	26.16	52.32	104.64	209.28	523.20	1,046.40	10,464	3.50	3.59	3.76
1 to 1½ years (2/1/66)	26.63	53.26	106.52	213.04	532.60	1,065.20	10,652	3.55	3.60	4.17
1½ to 2 years (8/1/66)	27.11	54.22	108.44	216.88	542.20	1,084.40	10,844	3.57	3.69	4.21
2 to 2½ years (2/1/67)	27.61	55.22	110.44	220.88	552.20	1,104.40	11,044	3.60	3.69	4.24
2½ to 3 years (8/1/67)	28.12	56.24	112.48	224.96	562.40	1,124.80	11,248	3.62	3.77	4.28
3 to 3½ years (2/1/68)	28.65	57.30	114.60	229.20	573.00	1,146.00	11,460	3.64	3.84	4.31
3½ to 4 years (8/1/68)	29.20	58.40	116.80	233.60	584.00	1,168.00	11,680	3.67	3.97	4.45
4 to 4½ years (2/1/69)	29.78	59.56	119.12	238.24	595.60	1,191.20	11,912	3.71	3.96	4.49
4½ to 5 years (8/1/69)	30.37	60.74	121.48	242.96	607.40	1,214.80	12,148	3.74	4.15	5.00
5 to 5½ years (2/1/70)	31.00	62.00	124.00	248.00	620.00	1,240.00	12,400	3.78	4.26	5.09
5½ to 6 years (8/1/70)	31.66	63.32	126.64	253.28	633.20	1,266.40	12,664	3.82	4.93	5.68
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
6 to 6½ years (2/1/71)	32.44	64.88	129.76	259.52	648.80	1,297.60	12,976	3.91	5.12	5.77
6½ to 7 years (8/1/71)	33.27	66.54	133.08	266.16	665.40	1,330.80	13,308	4.01	5.17	5.86
7 to 7½ years (2/1/72)	34.13	68.26	136.52	273.04	682.60	1,365.20	13,652	4.09	5.45	5.98
7½ to 8 years (8/1/72)	35.06	70.12	140.24	280.48	701.20	1,402.40	14,024	4.18	5.53	6.09
8 to 8½ years (2/1/73)	36.03	72.06	144.12	288.24	720.60	1,441.20	14,412	4.26	5.66	6.23
8½ to 9 years (8/1/73)	37.05	74.10	148.20	296.40	741.00	1,482.00	14,820	4.35	5.78	6.41
9 to 9½ years (2/1/74)	38.12	76.24	152.48	304.96	762.40	1,524.80	15,248	4.42	5.98	6.73
9½ to 10 years (8/1/74)	39.26	78.52	157.04	314.08	785.20	1,570.40	15,704	4.51	7.49	7.49
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/75)	**40.73**	**81.46**	**162.92**	**325.84**	**814.60**	**1,629.20**	**16,292**	[3] 4.65		

[1] Month, day, and year on which issues of June 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.98 percent.

TABLE 41

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/65)	$25.71	$51.42	$102.84	$205.68	$514.20	$1,028.40	$10,284	0.00	3.50	3.75
½ to 1 year (12/1/65)	26.16	52.32	104.64	209.28	523.20	1,046.40	10,464	3.50	3.67	4.16
1 to 1½ years (1/1/66)	26.64	53.28	106.56	213.12	532.80	1,065.60	10,656	3.59	3.60	4.19
1½ to 2 years (12/1/66)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	3.59	3.69	4.23
2 to 2½ years (6/1/67)	27.62	55.24	110.48	220.96	552.40	1,104.80	11,048	3.62	3.77	4.26
2½ to 3 years (12/1/67)	28.14	56.28	112.56	225.12	562.80	1,125.60	11,256	3.65	3.84	4.29
3 to 3½ years (6/1/68)	28.68	57.36	114.72	229.44	573.60	1,147.20	11,472	3.68	3.84	4.43
3½ to 4 years (12/1/68)	29.23	58.46	116.92	233.84	584.60	1,169.20	11,692	3.70	3.97	4.47
4 to 4½ years (6/1/69)	29.81	59.62	119.24	238.48	596.20	1,192.40	11,924	3.73	4.09	5.00
4½ to 5 years (12/1/69)	30.42	60.84	121.68	243.36	608.40	1,216.80	12,168	3.77	4.14	5.08
5 to 5½ years (6/1/70)	31.05	62.10	124.20	248.40	621.00	1,242.00	12,420	3.81	4.96	5.68
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5½ to 6 years (12/1/70)	31.82	63.64	127.28	254.56	636.40	1,272.80	12,728	3.91	5.03	5.76
6 to 6½ years (6/1/71)	32.62	65.24	130.48	260.96	652.40	1,304.80	13,048	4.01	5.09	5.85
6½ to 7 years (12/1/71)	33.45	66.90	133.80	267.60	669.00	1,338.00	13,380	4.09	5.32	5.96
7 to 7½ years (6/1/72)	34.34	68.68	137.36	274.72	686.80	1,373.60	13,736	4.18	5.53	6.06
7½ to 8 years (12/1/72)	35.29	70.58	141.16	282.32	705.80	1,411.60	14,116	4.27	5.61	6.17
8 to 8½ years (6/1/73)	36.28	72.56	145.12	290.24	725.60	1,451.20	14,512	4.35	5.68	6.31
8½ to 9 years (12/1/73)	37.31	74.62	149.24	298.48	746.20	1,492.40	14,924	4.43	5.90	6.52
9 to 9½ years (6/1/74)	38.41	76.82	153.64	307.28	768.20	1,536.40	15,364	4.51	6.04	6.83
9½ to 10 years (12/1/74)	39.57	79.14	158.28	316.56	791.40	1,582.80	15,828	4.59	7.63	7.63
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/75)	**41.08**	**82.16**	**164.32**	**328.64**	**821.60**	**1,643.20**	**16,432**	[3] 4.74		

[1] Month, day, and year on which issues of Oct. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.03 percent.

TABLE 42

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1955, THROUGH MARCH 1, 1956

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (8/1/65)	$25.77	$51.54	$103.08	$206.16	$515.40	$1,030.80	$10,308	0.00	3.49	3.75
½ to 1 year (2/1/66)	26.22	52.44	104.88	209.76	524.40	1,048.80	10,488	3.49	3.66	4.17
1 to 1½ years (8/1/66)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.58	3.60	4.19
1½ to 2 years (2/1/67)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.58	3.68	4.23
2 to 2½ years (8/1/67)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	3.61	3.76	4.26
2½ to 3 years (2/1/68)	28.20	56.40	112.80	225.60	564.00	1,128.00	11,280	3.64	3.83	4.30
3 to 3½ years (8/1/68)	28.74	57.48	114.96	229.92	574.80	1,149.60	11,496	3.67	3.90	4.43
3½ to 4 years (2/1/69)	29.30	58.60	117.20	234.40	586.00	1,172.00	11,720	3.70	3.96	4.47
4 to 4½ years (8/1/69)	29.88	59.76	119.52	239.04	597.60	1,195.20	11,952	3.73	4.08	5.00
4½ to 5 years (2/1/70)	30.49	60.98	121.96	243.92	609.80	1,219.60	12,196	3.77	4.20	5.09
5 to 5½ years (8/1/70)	31.13	62.26	124.52	249.04	622.60	1,245.20	12,452	3.82	4.95	5.67
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5½ to 6 years (2/1/71)	31.90	63.80	127.60	255.20	638.00	1,276.00	12,760	3.92	4.95	5.76
6 to 6½ years (8/1/71)	32.69	65.38	130.76	261.52	653.80	1,307.60	13,076	4.00	5.08	5.86
6½ to 7 years (2/1/72)	33.52	67.04	134.08	268.16	670.40	1,340.80	13,408	4.09	5.37	5.97
7 to 7½ years (8/1/72)	34.42	68.84	137.68	275.36	688.40	1,376.80	13,768	4.18	5.52	6.07
7½ to 8 years (2/1/73)	35.37	70.74	141.48	282.96	707.40	1,414.80	14,148	4.27	5.60	6.18
8 to 8½ years (8/1/73)	36.36	72.72	145.44	290.88	727.20	1,454.40	14,544	4.35	5.67	6.32
8½ to 9 years (2/1/74)	37.39	74.78	149.56	299.12	747.80	1,495.60	14,956	4.43	5.94	6.54
9 to 9½ years (8/1/74)	38.50	77.00	154.00	308.00	770.00	1,540.00	15,400	4.51	6.08	6.84
9½ to 10 years (2/1/75)	39.67	79.34	158.68	317.36	793.40	1,586.80	15,868	4.59	7.61	7.61
EXTENDED MATURITY VALUE (**19 years** and 8 **months from issue date**) (8/1/75)	**41.18**	**82.36**	**164.72**	**329.44**	**823.60**	**1,647.20**	**16,472**	[3] **4.74**		

[1] Month, day, and year on which issues of Dec. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.04 percent

TABLE 43

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1956

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/65)	$25.77	$51.54	$103.08	$206.16	$515.40	$1,030.80	$10,308	0.00	4.11	4.15
½ to 1 year (6/1/66)	26.30	52.60	105.20	210.40	526.00	1,052.00	10,520	4.11	4.18	4.15
1 to 1½ years (12/1/66)	26.85	53.70	107.40	214.80	537.00	1,074.00	10,740	4.15	4.17	4.15
1½ to 2 years (6/1/67)	27.41	54.82	109.64	219.28	548.20	1,096.40	10,964	4.16	4.16	4.15
2 to 2½ years (12/1/67)	27.98	55.96	111.92	223.84	559.60	1,119.20	11,192	4.16	4.15	4.15
2½ to 3 years (6/1/68)	28.56	57.12	114.24	228.48	571.20	1,142.40	11,424	4.15	4.13	4.25
3 to 3½ years (12/1/68)	29.15	58.30	116.60	233.20	583.00	1,166.00	11,660	4.15	4.12	4.26
3½ to 4 years (6/1/69)	29.75	59.50	119.00	238.00	595.00	1,190.00	11,900	4.15	4.24	5.00
4 to 4½ years (12/1/69)	30.38	60.76	121.52	243.04	607.60	1,215.20	12,152	4.16	4.28	5.06
4½ to 5 years (6/1/70)	31.03	62.06	124.12	248.24	620.60	1,241.20	12,412	4.17	5.03	5.64
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5 to 5½ years (12/1/70)	31.81	63.62	127.24	254.48	636.20	1,272.40	12,724	4.26	4.97	5.70
5½ to 6 years (6/1/71)	32.60	65.20	130.40	260.80	652.00	1,304.00	13,040	4.32	5.15	5.78
6 to 6½ years (12/1/71)	33.44	66.88	133.76	267.52	668.80	1,337.60	13,376	4.39	5.32	5.86
6½ to 7 years (6/1/72)	34.33	68.66	137.32	274.64	686.60	1,373.20	13,732	4.46	5.36	5.94
7 to 7½ years (12/1/72)	35.25	70.50	141.00	282.00	705.00	1,410.00	14,100	4.53	5.50	6.03
7½ to 8 years (6/1/73)	36.22	72.44	144.88	289.76	724.40	1,448.80	14,488	4.59	5.63	6.14
8 to 8½ years (12/1/73)	37.24	74.48	148.96	297.92	744.80	1,489.60	14,896	4.66	5.69	6.26
8½ to 9 years (6/1/74)	38.30	76.60	153.20	306.40	766.00	1,532.00	15,320	4.72	5.85	6.46
9 to 9½ years (12/1/74)	39.42	78.84	157.68	315.36	788.40	1,576.80	15,768	4.78	5.94	6.76
9½ to 10 years (6/1/75)	40.59	81.18	162.36	324.72	811.80	1,623.60	16,236	4.84	7.59	7.59
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/75)	**42.13**	**84.26**	**168.52**	**337.04**	**842.60**	**1,685.20**	**16,852**	[3] 4.98		

[1] Month, day, and year on which issues of Apr. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.16 percent.

TABLE 44

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1956

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (2/1/66)	$25.83	$51.66	$103.32	$206.64	$516.60	$1,033.20	$10,332	0.00	4.18	4.15
½ to 1 year (8/1/66)	26.37	52.74	105.48	210.96	527.40	1,054.80	10,548	4.18	4.10	4.15
1 to 1½ years (2/1/67)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.14	4.16	4.15
1½ to 2 years (8/1/67)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.15	4.15	4.15
2 to 2½ years (2/1/68)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	4.15	4.14	4.15
2½ to 3 years (8/1/68)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	4.15	4.19	4.25
3 to 3½ years (2/1/69)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	4.15	4.11	4.26
3½ to 4 years (8/1/69)	29.82	59.64	119.28	238.56	596.40	1,192.80	11,928	4.15	4.23	5.00
4 to 4½ years (2/1/70)	30.45	60.90	121.80	243.60	609.00	1,218.00	12,180	4.16	4.27	5.07
4½ to 5 years (8/1/70)	31.10	62.20	124.40	248.80	622.00	1,244.00	12,440	4.17	5.02	5.64
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5 to 5½ years (2/1/71)	31.88	63.76	127.52	255.04	637.60	1,275.20	12,752	4.25	5.02	5.70
5½ to 6 years (8/1/71)	32.68	65.36	130.72	261.44	653.60	1,307.20	13,072	4.32	5.14	5.78
6 to 6½ years (2/1/72)	33.52	67.04	134.08	268.16	670.40	1,340.80	13,408	4.39	5.25	5.86
6½ to 7 years (8/1/72)	34.40	68.80	137.60	275.20	688.00	1,376.00	13,760	4.46	5.41	5.95
7 to 7½ years (2/1/73)	35.33	70.66	141.32	282.64	706.60	1,413.20	14,132	4.52	5.55	6.04
7½ to 8 years (8/1/73)	36.31	72.62	145.24	290.48	726.20	1,452.40	14,524	4.59	5.56	6.13
8 to 8½ years (2/1/74)	37.32	74.64	149.28	298.56	746.40	1,492.80	14,928	4.65	5.68	6.28
8½ to 9 years (8/1/74)	38.38	76.76	153.52	307.04	767.60	1,535.20	15,352	4.71	5.89	6.48
9 to 9½ years (2/1/75)	39.51	79.02	158.04	316.08	790.20	1,580.40	15,804	4.78	5.92	6.77
9½ to 10 years (8/1/75)	40.68	81.36	162.72	325.44	813.60	1,627.20	16,272	4.84	7.62	7.62
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/76)	**42.23**	**84.46**	**168.92**	**337.84**	**844.60**	**1,689.20**	**16,892**	[3] 4.98		

[1] Month, day, and year on which issues of June 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.17 percent.

TABLE 45

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1956

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/66)	$25.83	$51.66	$103.32	$206.64	$516.60	$1,033.20	$10,332	0.00	4.18	4.15
½ to 1 year (12/1/66)	26.37	52.74	105.48	210.96	527.40	1,054.80	10,548	4.18	4.10	4.15
1 to 1½ years (6/1/67)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.14	4.16	4.15
1½ to 2 years (12/1/67)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.15	4.15	4.15
2 to 2½ years (6/1/68)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	4.15	4.14	4.15
2½ to 3 years (12/1/68)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	4.15	4.19	4.25
3 to 3½ years (6/1/69)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	4.15	4.18	5.00
3½ to 4 years (12/1/69)	29.83	59.66	119.32	238.64	596.60	1,193.20	11,932	4.16	4.29	5.06
4 to 4½ years (6/1/70)	30.47	60.94	121.88	243.76	609.40	1,218.80	12,188	4.17	4.92	5.63
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4½ to 5 years (12/1/70)	31.22	62.44	124.88	249.76	624.40	1,248.80	12,488	4.26	5.06	5.69
5 to 5½ years (6/1/71)	32.01	64.02	128.04	256.08	640.20	1,280.40	12,804	4.34	5.12	5.76
5½ to 6 years (12/1/71)	32.83	65.66	131.32	262.64	656.60	1,313.20	13,132	4.41	5.24	5.83
6 to 6½ years (6/1/72)	33.69	67.38	134.76	269.52	673.80	1,347.60	13,476	4.48	5.28	5.90
6½ to 7 years (12/1/72)	34.58	69.16	138.32	276.64	691.60	1,383.20	13,832	4.54	5.49	5.99
7 to 7½ years (6/1/73)	35.53	71.06	142.12	284.24	710.60	1,421.20	14,212	4.61	5.57	6.07
7½ to 8 years (12/1/73)	36.52	73.04	146.08	292.16	730.40	1,460.80	14,608	4.67	5.64	6.17
8 to 8½ years (6/1/74)	37.55	75.10	150.20	300.40	751.00	1,502.00	15,020	4.73	5.75	6.30
8½ to 9 years (12/1/74)	38.63	77.26	154.52	309.04	772.60	1,545.20	15,452	4.79	5.85	6.48
9 to 9½ years (6/1/75)	39.76	79.52	159.04	318.08	795.20	1,590.40	15,904	4.85	5.99	6.80
9½ to 10 years (12/1/75)	40.95	81.90	163.80	327.60	819.00	1,638.00	16,380	4.91	7.62	7.62
EXTENDED MATURITY VALUE (19 years and 8 months from issue date (6/1/76)	42.51	85.02	170.04	340.08	850.20	1,700.40	17,004	[3] 5.04		

[1] Month, day, and year on which issues of Oct. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.21 percent.

TABLE 46

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1956, THROUGH JANUARY 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (8/1/66)	$25.97	$51.94	$103.88	$207.76	$519.40	$1,038.80	$10,388	0.00	4.16	4.15
½ to 1 year (2/1/67)	26.51	53.02	106.04	212.08	530.20	1,060.40	10,604	4.16	4.15	4.15
1 to 1½ years (8/1/67)	27.06	54.12	108.24	216.48	541.20	1,082.40	10,824	4.15	4.14	4.15
1½ to 2 years (2/1/68)	27.62	55.24	110.48	220.96	552.40	1,104.80	11,048	4.15	4.13	4.15
2 to 2½ years (8/1/68)	28.19	56.38	112.76	225.52	563.80	1,127.60	11,276	4.14	4.19	4.25
2½ to 3 years (2/1/69)	28.78	57.56	115.12	230.24	575.60	1,151.20	11,512	4.15	4.17	4.26
3 to 3½ years (8/1/69)	29.38	58.76	117.52	235.04	587.60	1,175.20	11,752	4.15	4.22	5.00
3½ to 4 years (2/1/70)	30.00	60.00	120.00	240.00	600.00	1,200.00	12,000	4.16	4.27	5.06
4 to 4½ years (8/1/70)	30.64	61.28	122.56	245.12	612.80	1,225.60	12,256	4.18	4.90	5.63
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4½ to 5 years (2/1/71)	31.39	62.78	125.56	251.12	627.80	1,255.60	12,556	4.26	5.03	5.70
5 to 5½ years (8/1/71)	32.18	64.36	128.72	257.44	643.60	1,287.20	12,872	4.33	5.10	5.76
5½ to 6 years (2/1/72)	33.00	66.00	132.00	264.00	660.00	1,320.00	13,200	4.40	5.27	5.84
6 to 6½ years (8/1/72)	33.87	67.74	135.48	270.96	677.40	1,354.80	13,548	4.48	5.31	5.91
6½ to 7 years (2/1/73)	34.77	69.54	139.08	278.16	695.40	1,390.80	13,908	4.54	5.46	5.99
7 to 7½ years (8/1/73)	35.72	71.44	142.88	285.76	714.40	1,428.80	14,288	4.61	5.54	6.08
7½ to 8 years (2/1/74)	36.71	73.42	146.84	293.68	734.20	1,468.40	14,684	4.67	5.61	6.19
8 to 8½ years (8/1/74)	37.74	75.48	150.96	301.92	754.80	1,509.60	15,096	4.73	5.78	6.33
8½ to 9 years (2/1/75)	38.83	77.66	155.32	310.64	776.60	1,553.20	15,532	4.79	5.87	6.52
9 to 9½ years (8/1/75)	39.97	79.94	159.88	319.76	799.40	1,598.80	15,988	4.85	6.00	6.84
9½ to 10 years (2/1/76)	41.17	82.34	164.68	329.36	823.40	1,646.80	16,468	4.91	7.68	7.68
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/76)	**42.75**	**85.50**	**171.00**	**342.00**	**855.00**	**1,710.00**	**17,100**	[3] **5.05**		

[1] Month, day, and year on which issues of Dec. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.23 percent

TABLE 47

BONDS BEARING ISSUE DATES FROM FEBRUARY 1 THROUGH MAY 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](1/1/66)	$25.80	$51.60	$103.20	$206.40	$516.00	$1,032.00	$10,320	0.00	4.19	4.15
½ to 1 year (7/1/66)	26.34	52.68	105.36	210.72	526.80	1,053.60	10,536	4.19	4.10	4.15
1 to 1½ years (1/1/67)	26.88	53.76	107.52	215.04	537.60	1,075.20	10,752	4.14	4.17	4.15
1½ to 2 years (7/1/67)	27.44	54.88	109.76	219.52	548.80	1,097.60	10,976	4.15	4.15	4.15
2 to 2½ years (1/1/68)	28.01	56.02	112.04	224.08	560.20	1,120.40	11,204	4.15	4.14	4.15
2½ to 3 years (7/1/68)	28.59	57.18	114.36	228.72	571.80	1,143.60	11,436	4.15	4.13	4.25
3 to 3½ years (1/1/69)	29.18	58.36	116.72	233.44	583.60	1,167.20	11,672	4.15	4.18	4.26
3½ to 4 years (7/1/69)	29.79	59.58	119.16	238.32	595.80	1,191.60	11,916	4.15	4.23	5.00
4 to 4½ years (1/1/70)	30.42	60.84	121.68	243.36	608.40	1,216.80	12,168	4.16	4.27	5.07
4½ to 5 years (7/1/70)	31.07	62.14	124.28	248.56	621.40	1,242.80	12,428	4.17	4.96	5.64
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5 to 5½ years (1/1/71)	31.84	63.68	127.36	254.72	636.80	1,273.60	12,736	4.25	5.03	5.70
5½ to 6 years (7/1/71)	32.64	65.28	130.56	261.12	652.80	1,305.60	13,056	4.32	5.15	5.78
6 to 6½ years (1/1/72)	33.48	66.96	133.92	267.84	669.60	1,339.20	13,392	4.39	5.32	5.86
6½ to 7 years (7/1/72)	34.37	68.74	137.48	274.96	687.40	1,374.80	13,748	4.46	5.35	5.94
7 to 7½ years (1/1/73)	35.29	70.58	141.16	282.32	705.80	1,411.60	14,116	4.53	5.50	6.03
7½ to 8 years (7/1/73)	36.26	72.52	145.04	290.08	725.20	1,450.40	14,504	4.59	5.63	6.14
8 to 8½ years (1/1/74)	37.28	74.56	149.12	298.24	745.60	1,491.20	14,912	4.65	5.69	6.27
8½ to 9 years (7/1/74)	38.34	76.68	153.36	306.72	766.80	1,533.60	15,336	4.71	5.89	6.47
9 to 9½ years (1/1/75)	39.47	78.94	157.88	315.76	789.40	1,578.80	15,788	4.78	5.88	6.75
9½ to 10 years (7/1/75)	40.63	81.26	162.52	325.04	812.60	1,625.20	16,252	4.84	7.63	7.63
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (1/1/76)	**42.18**	**84.36**	**168.72**	**337.44**	**843.60**	**1,687.20**	**16,872**	[3] 4.98		

[1] Month, day, and year on which issues of Feb. 1, 1957, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.33 percent.

TABLE 48

BONDS BEARING ISSUE DATE JUNE 1, 1957

Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							Approximate investment yield (annual percentage rate): (2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500			
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
								Percent	*Percent*	*Percent*
First ½ year [1] (5/1/66)	$25.91	$51.82	$103.64	$207.28	$518.20	$1,036.40	$10,364	0.00	4.17	4.15
½ to 1 year (11/1/66)	26.45	52.90	105.80	211.60	529.00	1,058.00	10,580	4.17	4.16	4.15
1 to 1½ years (5/1/67)	27.00	54.00	108.00	216.00	540.00	1,080.00	10,800	4.16	4.15	4.15
1½ to 2 years (11/1/67)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.16	4.14	4.15
2 to 2½ years (5/1/68)	28.13	56.26	112.52	225.04	562.60	1,125.20	11,252	4.15	4.12	4.25
2½ to 3 years (11/1/68)	28.71	57.42	114.84	229.68	574.20	1,148.40	11,484	4.15	4.18	4.26
3 to 3½ years (5/1/69)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	4.15	4.16	4.26
3½ to 4 years (11/1/69)	29.92	59.84	119.68	239.36	598.40	1,196.80	11,968	4.15	4.21	5.00
4 to 4½ years (5/1/70)	30.55	61.10	122.20	244.40	611.00	1,222.00	12,220	4.16	4.26	5.07
4½ to 5 years (11/1/70)	31.20	62.40	124.80	249.60	624.00	1,248.00	12,480	4.17	5.00	5.64
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
5 to 5½ years (5/1/71)	31.98	63.96	127.92	255.84	639.60	1,279.20	12,792	4.25	5.00	5.71
5½ to 6 years (11/1/71)	32.78	65.56	131.12	262.24	655.60	1,311.20	13,112	4.32	5.19	5.78
6 to 6½ years (5/1/72)	33.63	67.26	134.52	269.04	672.60	1,345.20	13,452	4.39	5.29	5.86
6½ to 7 years (11/1/72)	34.52	69.04	138.08	276.16	690.40	1,380.80	13,808	4.46	5.33	5.94
7 to 7½ years (5/1/73)	35.44	70.88	141.76	283.52	708.80	1,417.60	14,176	4.52	5.47	6.04
7½ to 8 years (11/1/73)	36.41	72.82	145.64	291.28	728.20	1,456.40	14,564	4.59	5.60	6.16
8 to 8½ years (5/1/74)	37.43	74.86	149.72	299.44	748.60	1,497.20	14,972	4.65	5.72	6.30
8½ to 9 years (11/1/74)	38.50	77.00	154.00	308.00	770.00	1,540.00	15,400	4.71	5.82	6.49
9 to 9½ years (5/1/75)	39.62	79.24	158.48	316.96	792.40	1,584.80	15,848	4.78	5.96	6.82
9½ to 10 years (11/1/75)	40.80	81.60	163.20	326.40	816.00	1,632.00	16,320	4.84	7.70	7.70
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (5/1/76)	**42.37**	**84.74**	**169.48**	**338.96**	**847.40**	**1,694.80**	**16,948**	[3] 4.98		

[1] Month, day, and year on which issues of June 1, 1957, enter each period.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.36 percent.

TABLE 49

BONDS BEARING ISSUE DATES FROM JULY 1 THROUGH NOVEMBER 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/66)	$25.91	$51.82	$103.64	$207.28	$518.20	$1,036.40	$10,364	0.00	4.17	4.15
½ to 1 year (12/1/66)	26.45	52.90	105.80	211.60	529.00	1,058.00	10,580	4.17	4.16	4.15
1 to 1½ years (6/1/67)	27.00	54.00	108.00	216.00	540.00	1,080.00	10,800	4.16	4.15	4.15
1½ to 2 years (12/1/67)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.16	4.14	4.15
2 to 2½ years (6/1/68)	28.13	56.26	112.52	225.04	562.60	1,125.20	11,252	4.15	4.12	4.25
2½ to 3 years (12/1/68)	28.71	57.42	114.84	229.68	574.20	1,148.40	11,484	4.15	4.18	4.26
3 to 3½ years (6/1/69)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	4.15	4.23	5.00
3½ to 4 years (12/1/69)	29.93	59.86	119.72	239.44	598.60	1,197.20	11,972	4.16	4.28	5.06
4 to 4½ years (6/1/70)	30.57	61.14	122.28	244.56	611.40	1,222.80	12,228	4.18	4.91	5.62
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4½ to 5 years (12/1/70)	31.32	62.64	125.28	250.56	626.40	1,252.80	12,528	4.26	5.04	5.69
5 to 5½ years (6/1/71)	32.11	64.22	128.44	256.88	642.20	1,284.40	12,844	4.34	5.11	5.75
5½ to 6 years (12/1/71)	32.93	65.86	131.72	263.44	658.60	1,317.20	13,172	4.41	5.22	5.83
6 to 6½ years (6/1/72)	33.79	67.58	135.16	270.32	675.80	1,351.60	13,516	4.47	5.33	5.90
6½ to 7 years (12/1/72)	34.69	69.38	138.76	277.52	693.80	1,387.60	13,876	4.54	5.42	5.98
7 to 7½ years (6/1/73)	35.63	71.26	142.52	285.04	712.60	1,425.20	14,252	4.60	5.56	6.08
7½ to 8 years (12/1/73)	36.62	73.24	146.48	292.96	732.40	1,464.80	14,648	4.67	5.68	6.18
8 to 8½ years (6/1/74)	37.66	75.32	150.64	301.28	753.20	1,506.40	15,064	4.73	5.74	6.31
8½ to 9 years (12/1/74)	38.74	77.48	154.96	309.92	774.80	1,549.60	15,496	4.79	5.83	6.50
9 to 9½ years (6/1/75)	39.87	79.74	159.48	318.96	797.40	1,594.80	15,948	4.85	6.02	6.83
9½ to 10 years (12/1/75)	41.07	82.14	164.28	328.56	821.40	1,642.80	16,428	4.91	7.65	7.65
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (6/1/76)	**42.64**	**85.28**	**170.56**	**341.12**	**852.80**	**1,705.60**	**17,056**	[3] 5.04		

[1] Month, day, and year on which issues of July 1, 1957, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.39 percent.

TABLE 50

BONDS BEARING ISSUE DATE DECEMBER 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (11/1/66)	$26.03	$52.06	$104.12	$208.24	$520.60	$1,041.20	$10,412	0.00	4.15	4.15
½ to 1 year (5/1/67)	26.57	53.14	106.28	212.56	531.40	1,062.80	10,628	4.15	4.14	4.15
1 to 1½ years (11/1/67)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	4.14	4.13	4.15
1½ to 2 years (5/1/68)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	4.14	4.19	4.25
2 to 2½ years (11/1/68)	28.26	56.52	113.04	226.08	565.20	1,130.40	11,304	4.15	4.18	4.26
2½ to 3 years (5/1/69)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	4.16	4.09	4.26
3 to 3½ years (11/1/69)	29.44	58.88	117.76	235.52	588.80	1,177.60	11,776	4.15	4.21	5.00
3½ to 4 years (5/1/70)	30.06	60.12	120.24	240.48	601.20	1,202.40	12,024	4.16	4.32	5.06
4 to 4½ years (11/1/70)	30.71	61.42	122.84	245.68	614.20	1,228.40	12,284	4.18	4.88	5.62
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4½ to 5 years (5/1/71)	31.46	62.92	125.84	251.68	629.20	1,258.40	12,584	4.26	5.02	5.69
5 to 5½ years (11/1/71)	32.25	64.50	129.00	258.00	645.00	1,290.00	12,900	4.33	5.15	5.76
5½ to 6 years (5/1/72)	33.08	66.16	132.32	264.64	661.60	1,323.20	13,232	4.41	5.20	5.82
6 to 6½ years (11/1/72)	33.94	67.88	135.76	271.52	678.80	1,357.60	13,576	4.47	5.36	5.90
6½ to 7 years (5/1/73)	34.85	69.70	139.40	278.80	697.00	1,394.00	13,940	4.54	5.39	5.98
7 to 7½ years (11/1/73)	35.79	71.58	143.16	286.32	715.80	1,431.60	14,316	4.60	5.53	6.08
7½ to 8 years (5/1/74)	36.78	73.56	147.12	294.24	735.60	1,471.20	14,712	4.66	5.66	6.19
8 to 8½ years (11/1/74)	37.82	75.64	151.28	302.56	756.40	1,512.80	15,128	4.72	5.71	6.32
8½ to 9 years (5/1/75)	38.90	77.80	155.60	311.20	778.00	1,556.00	15,560	4.78	5.81	6.52
9 to 9½ years (11/1/75)	40.03	80.06	160.12	320.24	800.60	1,601.20	16,012	4.84	6.00	6.88
9½ to 10 years (5/1/76)	41.23	82.46	164.92	329.84	824.60	1,649.20	16,492	4.90	7.76	7.76
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (11/1/76)	42.83	85.66	171.32	342.64	856.60	1,713.20	17,132	[3] 5.04		

[1] Month, day, and year on which issues of Dec. 1, 1957, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.41 percent.

TABLE 51

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH MAY 1, 1958

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD									
								Percent	*Percent*	*Percent*
First ½ year [1](12/1/66)	$26.03	$52.06	$104.12	$208.24	$520.60	$1,041.20	$10,412	0.00	4.15	4.15
½ to 1 year (6/1/67)	26.57	53.14	106.28	212.56	531.40	1,062.80	10,628	4.15	4.14	4.15
1 to 1½ years (12/1/67)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	4.14	4.13	4.15
1½ to 2 years (6/1/68)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	4.14	4.19	4.25
2 to 2½ years (12/1/68)	28.26	56.52	113.04	226.08	565.20	1,130.40	11,304	4.15	4.18	4.26
2½ to 3 years (6/1/69)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	4.16	4.16	5.00
3 to 3½ years (12/1/69)	29.45	58.90	117.80	235.60	589.00	1,178.00	11,780	4.16	4.28	5.06
3½ to 4 years (6/1/70)	30.08	60.16	120.32	240.64	601.60	1,203.20	12,032	4.17	4.99	5.62
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4 to 4½ years (12/1/70)	30.83	61.66	123.32	246.64	616.60	1,233.20	12,332	4.28	4.87	5.67
4½ to 5 years (6/1/71)	31.58	63.16	126.32	252.64	631.60	1,263.20	12,632	4.34	5.13	5.74
5 to 5½ years (12/1/71)	32.39	64.78	129.56	259.12	647.80	1,295.60	12,956	4.42	5.19	5.81
5½ to 6 years (6/1/72)	33.23	66.46	132.92	265.84	664.60	1,329.20	13,292	4.49	5.30	5.87
6 to 6½ years (12/1/72)	34.11	68.22	136.44	272.88	682.20	1,364.40	13,644	4.56	5.45	5.95
6½ to 7 years (6/1/73)	35.04	70.08	140.16	280.32	700.80	1,401.60	14,016	4.63	5.42	6.02
7 to 7½ years (12/1/73)	35.99	71.98	143.96	287.92	719.80	1,439.60	14,396	4.68	5.56	6.12
7½ to 8 years (6/1/74)	36.99	73.98	147.96	295.92	739.80	1,479.60	14,796	4.74	5.79	6.23
8 to 8½ years (12/1/74)	38.06	76.12	152.24	304.48	761.20	1,522.40	15,224	4.81	5.73	6.34
8½ to 9 years (6/1/75)	39.15	78.30	156.60	313.20	783.00	1,566.00	15,660	4.86	5.93	6.54
9 to 9½ years (12/1/75)	40.31	80.62	161.24	322.48	806.20	1,612.40	16,124	4.92	5.95	6.85
9½ to 10 years (6/1/76)	41.51	83.02	166.04	332.08	830.20	1,660.40	16,604	4.97	7.76	7.76
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (12/1/76)	**43.12**	**86.24**	**172.48**	**344.96**	**862.40**	**1,724.80**	**17,248**	[3] **5.11**		

[1] Month, day, and year on which issues of Jan. 1, 1958, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.45 percent.

TABLE 52

BONDS BEARING ISSUE DATE JUNE 1, 1958

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	Percent	Percent
First ½ year [1] (5/1/67)	$26.14	$52.28	$104.56	$209.12	$522.80	$1,045.60	$10,456	0.00	4.13	4.15
½ to 1 year (11/1/67)	26.68	53.36	106.72	213.44	533.60	1,067.20	10,672	4.13	4.20	4.15
1 to 1½ years (5/1/68)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	4.16	4.11	4.25
1½ to 2 years (11/1/68)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	4.15	4.17	4.26
2 to 2½ years (5/1/69)	28.38	56.76	113.52	227.04	567.60	1,135.20	11,352	4.15	4.16	4.26
2½ to 3 years (11/1/69)	28.97	57.94	115.88	231.76	579.40	1,158.80	11,588	4.15	4.21	5.00
3 to 3½ years (5/1/70)	29.58	59.16	118.32	236.64	591.60	1,183.20	11,832	4.16	4.26	5.06
3½ to 4 years (11/1/70)	30.21	60.42	120.84	241.68	604.20	1,208.40	12,084	4.18	4.97	5.62
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4 to 4½ years (5/1/71)	30.96	61.92	123.84	247.68	619.20	1,238.40	12,384	4.28	4.91	5.67
4½ to 5 years (11/1/71)	31.72	63.44	126.88	253.76	634.40	1,268.80	12,688	4.35	5.11	5.74
5 to 5½ years (5/1/72)	32.53	65.06	130.12	260.24	650.60	1,301.20	13,012	4.42	5.16	5.81
5½ to 6 years (11/1/72)	33.37	66.74	133.48	266.96	667.40	1,334.80	13,348	4.49	5.33	5.88
6 to 6½ years (5/1/73)	34.26	68.52	137.04	274.08	685.20	1,370.40	13,704	4.56	5.31	5.95
6½ to 7 years (11/1/73)	35.17	70.34	140.68	281.36	703.40	1,406.80	14,068	4.62	5.52	6.04
7 to 7½ years (5/1/74)	36.14	72.28	144.56	289.12	722.80	1,445.60	14,456	4.68	5.59	6.12
7½ to 8 years (11/1/74)	37.15	74.30	148.60	297.20	743.00	1,486.00	14,860	4.74	5.65	6.23
8 to 8½ years (5/1/75)	38.20	76.40	152.80	305.60	764.00	1,528.00	15,280	4.80	5.76	6.38
8½ to 9 years (11/1/75)	39.30	78.60	157.20	314.40	786.00	1,572.00	15,720	4.86	5.85	6.58
9 to 9½ years (5/1/76)	40.45	80.90	161.80	323.60	809.00	1,618.00	16,180	4.91	6.03	6.95
9½ to 10 years (11/1/76)	41.67	83.34	166.68	333.36	833.40	1,666.80	16,668	4.97	7.87	7.87
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (5/1/77)	43.31	86.62	173.24	346.48	866.20	1,732.40	17,324	[3] 5.11		

[1] Month, day, and year on which issues of June 1, 1958, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.48 percent

TABLE 53

BONDS BEARING ISSUE DATES FROM JULY 1 THROUGH NOVEMBER 1, 1958

Issue price Denomination	$18.75 25.00	$37.50 50.00	$75.00 100.00	$150.00 200.00	$375.00 500.00	$750.00 1,000.00	$7,500 10,000	Approximate investment yield (annual percentage rate)		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](6/1/67)	$26.14	$52.28	$104.56	$209.12	$522.80	$1,045.60	$10,456	0.00	4.13	4.15
½ to 1 year (12/1/67)	26.68	53.36	106.72	213.44	533.60	1,067.20	10,672	4.13	4.20	4.15
1 to 1½ years (6/1/68)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	4.16	4.11	4.25
1½ to 2 years (12/1/68)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	4.15	4.17	4.26
2 to 2½ years (6/1/69)	28.38	56.76	113.52	227.04	567.60	1,135.20	11,352	4.15	4.23	5.00
2½ to 3 years (12/1/69)	28.98	57.96	115.92	231.84	579.60	1,159.20	11,592	4.17	4.28	5.05
3 to 3½ years (6/1/70)	29.60	59.20	118.40	236.80	592.00	1,184.00	11,840	4.19	4.80	5.61
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3½ to 4 years (12/1/70)	30.31	60.62	121.24	242.48	606.20	1,212.40	12,124	4.27	5.01	5.67
4 to 4½ years (6/1/71)	31.07	62.14	124.28	248.56	621.40	1,242.80	12,428	4.37	5.09	5.72
4½ to 5 years (12/1/71)	31.86	63.72	127.44	254.88	637.20	1,274.40	12,744	4.45	5.15	5.78
5 to 5½ years (6/1/72)	32.68	65.36	130.72	261.44	653.60	1,307.20	13,072	4.52	5.26	5.85
5½ to 6 years (12/1/72)	33.54	67.08	134.16	268.32	670.80	1,341.60	13,416	4.58	5.37	5.91
6 to 6½ years (6/1/73)	34.44	68.88	137.76	275.52	688.80	1,377.60	13,776	4.65	5.40	5.98
6½ to 7 years (12/1/73)	35.37	70.74	141.48	282.96	707.40	1,414.80	14,148	4.71	5.48	6.06
7 to 7½ years (6/1/74)	36.34	72.68	145.36	290.72	726.80	1,453.60	14,536	4.76	5.61	6.16
7½ to 8 years (12/1/74)	37.36	74.72	149.44	298.88	747.20	1,494.40	14,944	4.82	5.78	6.27
8 to 8½ years (6/1/75)	38.44	76.88	153.76	307.52	768.80	1,537.60	15,376	4.88	5.78	6.39
8½ to 9 years (12/1/75)	39.55	79.10	158.20	316.40	791.00	1,582.00	15,820	4.93	5.87	6.59
9 to 9½ years (6/1/76)	40.71	81.42	162.84	325.68	814.20	1,628.40	16,284	4.98	6.04	6.95
9½ to 10 years (12/1/76)	41.94	83.88	167.76	335.52	838.80	1,677.60	16,776	5.04	7.87	7.87
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (6/1/77)	**43.59**	**87.18**	**174.36**	**348.72**	**871.80**	**1,743.60**	**17,436**	[3] **5.18**		

[1] Month, day, and year on which issues of July 1, 1958, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.51 percent.

439-865 O - 71 - 17

TABLE 54

BONDS BEARING ISSUE DATE DECEMBER 1, 1958

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	Percent	Percent
First ½ year .... [1](11/1/67)	$26.26	$52.52	$105.04	$210.08	$525.20	$1,050.40	$10,504	0.00	4.11	4.15
½ to 1 year .... (5/1/68)	26.80	53.60	107.20	214.40	536.00	1,072.00	10,720	4.11	4.18	4.25
1 to 1½ years .... (11/1/68)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	4.15	4.17	4.26
1½ to 2 years .... (5/1/69)	27.93	55.86	111.72	223.44	558.60	1,117.20	11,172	4.15	4.15	4.26
2 to 2½ years .... (11/1/69)	28.51	57.02	114.04	228.08	570.20	1,140.40	11,404	4.15	4.21	5.00
2½ to 3 years .... (5/1/70)	29.11	58.22	116.44	232.88	582.20	1,164.40	11,644	4.16	4.26	5.05
3 to 3½ years .... (11/1/70)	29.73	59.46	118.92	237.84	594.60	1,189.20	11,892	4.18	4.84	5.61
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3½ to 4 years .... (5/1/71)	30.45	60.90	121.80	243.60	609.00	1,218.00	12,180	4.27	4.99	5.67
4 to 4½ years .... (11/1/71)	31.21	62.42	124.84	249.68	624.20	1,248.40	12,484	4.36	5.06	5.72
4½ to 5 years .... (5/1/72)	32.00	64.00	128.00	256.00	640.00	1,280.00	12,800	4.44	5.19	5.79
5 to 5½ years .... (11/1/72)	32.83	65.66	131.32	262.64	656.60	1,313.20	13,132	4.52	5.24	5.85
5½ to 6 years .... (5/1/73)	33.69	67.38	134.76	269.52	673.80	1,347.60	13,476	4.58	5.28	5.91
6 to 6½ years .... (11/1/73)	34.58	69.16	138.32	276.64	691.60	1,383.20	13,832	4.64	5.44	5.99
6½ to 7 years .... (5/1/74)	35.52	71.04	142.08	284.16	710.40	1,420.80	14,208	4.70	5.57	6.07
7 to 7½ years .... (11/1/74)	36.51	73.02	146.04	292.08	730.20	1,460.40	14,604	4.76	5.53	6.15
7½ to 8 years .... (5/1/75)	37.52	75.04	150.08	300.16	750.40	1,500.80	15,008	4.81	5.76	6.28
8 to 8½ years .... (11/1/75)	38.60	77.20	154.40	308.80	772.00	1,544.00	15,440	4.87	5.75	6.41
8½ to 9 years .... (5/1/76)	39.71	79.42	158.84	317.68	794.20	1,588.40	15,884	4.93	5.94	6.63
9 to 9½ years .... (11/1/76)	40.89	81.78	163.56	327.12	817.80	1,635.60	16,356	4.98	5.87	6.97
9½ to 10 years .... (5/1/77)	42.09	84.18	168.36	336.72	841.80	1,683.60	16,836	5.03	8.08	8.08
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (11/1/77)	**43.79**	**87.58**	**175.16**	**350.32**	**875.80**	**1,751.60**	**17,516**	[3] 5.18		

[1] Month, day, and year on which issues of Dec. 1, 1958, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.53 percent

TABLE 55

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH MAY 1, 1959

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/67)	$26.26	$52.52	$105.04	$210.08	$525.20	$1,050.40	$10,504	0.00	4.11	4.15
½ to 1 year (6/1/68)	26.80	53.60	107.20	214.40	536.00	1,072.00	10,720	4.11	4.18	4.25
1 to 1½ years (12/1/68)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	4.15	4.17	4.26
1½ to 2 years (6/1/69)	27.93	55.86	111.72	223.44	558.60	1,117.20	11,172	4.15	4.22	5.00
2 to 2½ years (12/1/69)	28.52	57.04	114.08	228.16	570.40	1,140.80	11,408	4.17	4.21	5.05
2½ to 3 years (6/1/70)	29.12	58.24	116.48	232.96	582.40	1,164.80	11,648	4.18	4.88	5.61
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3 to 3½ years (12/1/70)	29.83	59.66	119.32	238.64	596.60	1,193.20	11,932	4.29	4.96	5.66
3½ to 4 years (6/1/71)	30.57	61.14	122.28	244.56	611.40	1,222.80	12,228	4.39	5.04	5.71
4 to 4½ years (12/1/71)	31.34	62.68	125.36	250.72	626.80	1,253.60	12,536	4.47	5.11	5.77
4½ to 5 years (6/1/72)	32.14	64.28	128.56	257.12	642.80	1,285.60	12,856	4.54	5.29	5.83
5 to 5½ years (12/1/72)	32.99	65.98	131.96	263.92	659.80	1,319.60	13,196	4.62	5.27	5.89
5½ to 6 years (6/1/73)	33.86	67.72	135.44	270.88	677.20	1,354.40	13,544	4.68	5.38	5.95
6 to 6½ years (12/1/73)	34.77	69.54	139.08	278.16	695.40	1,390.80	13,908	4.73	5.46	6.03
6½ to 7 years (6/1/74)	35.72	71.44	142.88	285.76	714.40	1,428.80	14,288	4.79	5.60	6.11
7 to 7½ years (12/1/74)	36.72	73.44	146.88	293.76	734.40	1,468.80	14,688	4.85	5.61	6.19
7½ to 8 years (6/1/75)	37.75	75.50	151.00	302.00	755.00	1,510.00	15,100	4.90	5.77	6.31
8 to 8½ years (12/1/75)	38.84	77.68	155.36	310.72	776.80	1,553.60	15,536	4.95	5.77	6.44
8½ to 9 years (6/1/76)	39.96	79.92	159.84	319.68	799.20	1,598.40	15,984	5.00	5.91	6.67
9 to 9½ years (12/1/76)	41.14	82.28	164.56	329.12	822.80	1,645.60	16,456	5.05	5.98	7.05
9½ to 10 years (6/1/77)	42.37	84.74	169.48	338.96	847.40	1,694.80	16,948	5.10	8.12	8.12
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (12/1/77)	44.09	88.18	176.36	352.72	881.80	1,763.60	17,636	[3] 5.25		

[1] Month, day, and year on which issues of Jan. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.57 percent.

TABLE 56

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1959

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (3/1/67)	$25.13	$50.26	$100.52	$201.04	$502.60	$1,005.20	$10,052	0.00	4.14	4.15
½ to 1 year (9/1/67)	25.65	51.30	102.60	205.20	513.00	1,026.00	10,260	4.14	4.13	4.15
1 to 1½ years (3/1/68)	26.18	52.36	104.72	209.44	523.60	1,047.20	10,472	4.14	4.20	4.25
1½ to 2 years (9/1/68)	26.73	53.46	106.92	213.84	534.60	1,069.20	10,692	4.16	4.12	4.25
2 to 2½ years (3/1/69)	27.28	54.56	109.12	218.24	545.60	1,091.20	10,912	4.15	4.18	4.26
2½ to 3 years (9/1/69)	27.85	55.70	111.40	222.80	557.00	1,114.00	11,140	4.15	4.24	5.00
3 to 3½ years (3/1/70)	28.44	56.88	113.76	227.52	568.80	1,137.60	11,376	4.17	4.29	5.06
3½ to 4 years (9/1/70)	29.05	58.10	116.20	232.40	581.00	1,162.00	11,620	4.18	4.82	5.62
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
4 to 4½ years (3/1/71)	29.75	59.50	119.00	238.00	595.00	1,190.00	11,900	4.26	5.04	5.68
4½ to 5 years (9/1/71)	30.50	61.00	122.00	244.00	610.00	1,220.00	12,200	4.35	5.05	5.74
5 to 5½ years (3/1/72)	31.27	62.54	125.08	250.16	625.40	1,250.80	12,508	4.42	5.18	5.81
5½ to 6 years (9/1/72)	32.08	64.16	128.32	256.64	641.60	1,283.20	12,832	4.49	5.30	5.88
6 to 6½ years (3/1/73)	32.93	65.86	131.72	263.44	658.60	1,317.20	13,172	4.56	5.34	5.95
6½ to 7 years (9/1/73)	33.81	67.62	135.24	270.48	676.20	1,352.40	13,524	4.62	5.50	6.04
7 to 7½ years (3/1/74)	34.74	69.48	138.96	277.92	694.80	1,389.60	13,896	4.68	5.64	6.13
7½ to 8 years (9/1/74)	35.72	71.44	142.88	285.76	714.40	1,428.80	14,288	4.74	5.66	6.23
8 to 8½ years (3/1/75)	36.73	73.46	146.92	293.84	734.60	1,469.20	14,692	4.80	5.72	6.37
8½ to 9 years (9/1/75)	37.78	75.56	151.12	302.24	755.60	1,511.20	15,112	4.85	5.93	6.59
9 to 9½ years (3/1/76)	38.90	77.80	155.60	311.20	778.00	1,556.00	15,560	4.91	5.91	6.92
9½ to 10 years (9/1/76)	40.05	80.10	160.20	320.40	801.00	1,602.00	16,020	4.97	7.94	7.94
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (3/1/77)	**41.64**	**83.28**	**166.56**	**333.12**	**832.80**	**1,665.60**	**16,656**	[3] 5.11		

[1] Month, day, and year on which issues of June 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.55 percent.

TABLE 57

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1959

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield (annual percentage rate)		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/67)	$25.13	$50.26	$100.52	$201.04	$502.60	$1,005.20	$10,052	0.00	4.14	4.15
½ to 1 year (12/1/67)	25.65	51.30	102.60	205.20	513.00	1,026.00	10,260	4.14	4.13	4.15
1 to 1½ years (6/1/68)	26.18	52.36	104.72	209.44	523.60	1,047.20	10,472	4.14	4.20	4.25
1½ to 2 years (12/1/68)	26.73	53.46	106.92	213.84	534.60	1,069.20	10,692	4.16	4.12	4.25
2 to 2½ years (6/1/69)	27.28	54.56	109.12	218.24	545.60	1,091.20	10,912	4.15	4.25	5.00
2½ to 3 years (12/1/69)	27.86	55.72	111.44	222.88	557.20	1,114.40	11,144	4.17	4.31	5.05
3 to 3½ years (6/1/70)	28.46	56.92	113.84	227.68	569.20	1,138.40	11,384	4.19	4.85	5.60
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3½ to 4 years (12/1/70)	29.15	58.30	116.60	233.20	583.00	1,166.00	11,660	4.29	5.01	5.66
4 to 4½ years (6/1/71)	29.88	59.76	119.52	239.04	597.60	1,195.20	11,952	4.38	4.95	5.72
4½ to 5 years (12/1/71)	30.62	61.24	122.48	244.96	612.40	1,224.80	12,248	4.44	5.23	5.78
5 to 5½ years (6/1/72)	31.42	62.84	125.68	251.36	628.40	1,256.80	12,568	4.52	5.22	5.84
5½ to 6 years (12/1/72)	32.24	64.48	128.96	257.92	644.80	1,289.60	12,896	4.58	5.33	5.91
6 to 6½ years (6/1/73)	33.10	66.20	132.40	264.80	662.00	1,324.00	13,240	4.64	5.44	5.98
6½ to 7 years (12/1/73)	34.00	68.00	136.00	272.00	680.00	1,360.00	13,600	4.71	5.53	6.06
7 to 7½ years (6/1/74)	34.94	69.88	139.76	279.52	698.80	1,397.60	13,976	4.76	5.67	6.15
7½ to 8 years (12/1/74)	35.93	71.86	143.72	287.44	718.60	1,437.20	14,372	4.82	5.68	6.24
8 to 8½ years (6/1/75)	36.95	73.90	147.80	295.60	739.00	1,478.00	14,780	4.88	5.79	6.39
8½ to 9 years (12/1/75)	38.02	76.04	152.08	304.16	760.40	1,520.80	15,208	4.93	5.89	6.58
9 to 9½ years (6/1/76)	39.14	78.28	156.56	313.12	782.80	1,565.60	15,656	4.98	5.98	6.93
9½ to 10 years (12/1/76)	40.31	80.62	161.24	322.48	806.20	1,612.40	16,124	5.04	7.89	7.89
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (6/1/77)	**41.90**	**83.80**	**167.60**	**335.20**	**838.00**	**1,676.00**	**16,760**	[3] 5.18		

[1] Month, day, and year on which issues of Sept. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.58 percent.

TABLE 58

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1959, THROUGH FEBRUARY 1, 1960

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (9/1/67)	$25.18	$50.36	$100.72	$201.44	$503.60	$1,007.20	$10,072	0.00	4.13	4.15
½ to 1 year (3/1/68)	25.70	51.40	102.80	205.60	514.00	1,028.00	10,280	4.13	4.20	4.25
1 to 1½ years (9/1/68)	26.24	52.48	104.96	209.92	524.80	1,049.60	10,496	4.17	4.12	4.26
1½ to 2 years (3/1/69)	26.78	53.56	107.12	214.24	535.60	1,071.20	10,712	4.15	4.18	4.26
2 to 2½ years (9/1/69)	27.34	54.68	109.36	218.72	546.80	1,093.60	10,936	4.16	4.17	5.00
2½ to 3 years (3/1/70)	27.91	55.82	111.64	223.28	558.20	1,116.40	11,164	4.16	4.30	5.06
3 to 3½ years (9/1/70)	28.51	57.02	114.04	228.08	570.20	1,140.40	11,404	4.18	4.84	5.61
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3½ to 4 years (3/1/71)	29.20	58.40	116.80	233.60	584.00	1,168.00	11,680	4.28	5.07	5.67
4 to 4½ years (9/1/71)	29.94	59.88	119.76	239.52	598.80	1,197.60	11,976	4.38	4.94	5.72
4½ to 5 years (3/1/72)	30.68	61.36	122.72	245.44	613.60	1,227.20	12,272	4.44	5.22	5.79
5 to 5½ years (9/1/72)	31.48	62.96	125.92	251.84	629.60	1,259.20	12,592	4.52	5.21	5.85
5½ to 6 years (3/1/73)	32.30	64.60	129.20	258.40	646.00	1,292.00	12,920	4.58	5.33	5.92
6 to 6½ years (9/1/73)	33.16	66.32	132.64	265.28	663.20	1,326.40	13,264	4.64	5.49	6.00
6½ to 7 years (3/1/74)	34.07	68.14	136.28	272.56	681.40	1,362.80	13,628	4.71	5.52	6.07
7 to 7½ years (9/1/74)	35.01	70.02	140.04	280.08	700.20	1,400.40	14,004	4.76	5.54	6.16
7½ to 8 years (3/1/75)	35.98	71.96	143.92	287.84	719.60	1,439.20	14,392	4.82	5.73	6.28
8 to 8½ years (9/1/75)	37.01	74.02	148.04	296.08	740.20	1,480.40	14,804	4.87	5.84	6.43
8½ to 9 years (3/1/76)	38.09	76.18	152.36	304.72	761.80	1,523.60	15,236	4.93	5.83	6.62
9 to 9½ years (9/1/76)	39.20	78.40	156.80	313.60	784.00	1,568.00	15,680	4.98	6.02	7.02
9½ to 10 years (3/1/77)	40.38	80.76	161.52	323.04	807.60	1,615.20	16,152	5.03	8.02	8.02
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/77)	**42.00**	**84.00**	**168.00**	**336.00**	**840.00**	**1,680.00**	**16,800**	[3] **5.18**		

[1] Month, day, and year on which issues of Dec. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.60 percent.

TABLE 59

BONDS BEARING ISSUE DATES FROM MARCH 1 THROUGH MAY 1, 1960

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/67)	$25.18	$50.36	$100.72	$201.44	$503.60	$1,007.20	$10,072	0.00	4.13	4.15
½ to 1 year (6/1/68)	25.70	51.40	102.80	205.60	514.00	1,028.00	10,280	4.13	4.20	4.25
1 to 1½ years (12/1/68)	26.24	52.48	104.96	209.92	524.80	1,049.60	10,496	4.17	4.12	4.26
1½ to 2 years (6/1/69)	26.78	53.56	107.12	214.24	535.60	1,071.20	10,712	4.15	4.26	5.00
2 to 2½ years (12/1/69)	27.35	54.70	109.40	218.80	547.00	1,094.00	10,940	4.18	4.17	5.05
2½ to 3 years (6/1/70)	27.92	55.84	111.68	223.36	558.40	1,116.80	11,168	4.17	4.87	5.61
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3 to 3½ years (12/1/70)	28.60	57.20	114.40	228.80	572.00	1,144.00	11,440	4.29	4.97	5.66
3½ to 4 years (6/1/71)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	4.39	5.12	5.71
4 to 4½ years (12/1/71)	30.06	60.12	120.24	240.48	601.20	1,202.40	12,024	4.48	5.06	5.76
4½ to 5 years (6/1/72)	30.82	61.64	123.28	246.56	616.40	1,232.80	12,328	4.54	5.19	5.83
5 to 5½ years (12/1/72)	31.62	63.24	126.48	252.96	632.40	1,264.80	12,648	4.61	5.31	5.89
5½ to 6 years (6/1/73)	32.46	64.92	129.84	259.68	649.20	1,298.40	12,984	4.67	5.42	5.96
6 to 6½ years (12/1/73)	33.34	66.68	133.36	266.72	666.80	1,333.60	13,336	4.73	5.46	6.02
6½ to 7 years (6/1/74)	34.25	68.50	137.00	274.00	685.00	1,370.00	13,700	4.79	5.55	6.10
7 to 7½ years (12/1/74)	35.20	70.40	140.80	281.60	704.00	1,408.00	14,080	4.84	5.63	6.20
7½ to 8 years (6/1/75)	36.19	72.38	144.76	289.52	723.80	1,447.60	14,476	4.90	5.86	6.31
8 to 8½ years (12/1/75)	37.25	74.50	149.00	298.00	745.00	1,490.00	14,900	4.96	5.69	6.42
8½ to 9 years (6/1/76)	38.31	76.62	153.24	306.48	766.20	1,532.40	15,324	5.00	5.95	6.67
9 to 9½ years (12/1/76)	39.45	78.90	157.80	315.60	789.00	1,578.00	15,780	5.05	5.98	7.02
9½ to 10 years (6/1/77)	40.63	81.26	162.52	325.04	812.60	1,625.20	16,252	5.10	8.07	8.07
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (12/1/77)	**42.27**	**84.54**	**169.08**	**338.16**	**845.40**	**1,690.80**	**16,908**	[3] **5.25**		

[1] Month, day, and year on which issues of Mar. 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.63 percent.

TABLE 60

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1960

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (3/1/68)	$25.23	$50.46	$100.92	$201.84	$504.60	$1,009.20	$10,092	0.00	4.12	4.25
½ to 1 year (9/1/68)	25.75	51.50	103.00	206.00	515.00	1,030.00	10,300	4.12	4.19	4.26
1 to 1½ years (3/1/69)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	4.16	4.11	4.26
1½ to 2 years (9/1/69)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	4.14	4.25	5.00
2 to 2½ years (3/1/70)	27.40	54.80	109.60	219.20	548.00	1,096.00	10,960	4.17	4.23	5.05
2½ to 3 years (9/1/70)	27.98	55.96	111.92	223.84	559.60	1,119.20	11,192	4.18	4.86	5.60
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
3 to 3½ years (3/1/71)	28.66	57.32	114.64	229.28	573.20	1,146.40	11,464	4.29	4.95	5.66
3½ to 4 years (9/1/71)	29.37	58.74	117.48	234.96	587.40	1,174.80	11,748	4.39	5.11	5.71
4 to 4½ years (3/1/72)	30.12	60.24	120.48	240.96	602.40	1,204.80	12,048	4.48	5.05	5.76
4½ to 5 years (9/1/72)	30.88	61.76	123.52	247.04	617.60	1,235.20	12,352	4.54	5.18	5.83
5 to 5½ years (3/1/73)	31.68	63.36	126.72	253.44	633.60	1,267.20	12,672	4.61	5.30	5.89
5½ to 6 years (9/1/73)	32.52	65.04	130.08	260.16	650.40	1,300.80	13,008	4.67	5.41	5.96
6 to 6½ years (3/1/74)	33.40	66.80	133.60	267.20	668.00	1,336.00	13,360	4.73	5.45	6.02
6½ to 7 years (9/1/74)	34.31	68.62	137.24	274.48	686.20	1,372.40	13,724	4.79	5.60	6.11
7 to 7½ years (3/1/75)	35.27	70.54	141.08	282.16	705.40	1,410.80	14,108	4.84	5.61	6.19
7½ to 8 years (9/1/75)	36.26	72.52	145.04	290.08	725.20	1,450.40	14,504	4.89	5.79	6.31
8 to 8½ years (3/1/76)	37.31	74.62	149.24	298.48	746.20	1,492.40	14,924	4.95	5.79	6.44
8½ to 9 years (9/1/76)	38.39	76.78	153.56	307.12	767.80	1,535.60	15,356	5.00	5.83	6.65
9 to 9½ years (3/1/77)	39.51	79.02	158.04	316.08	790.20	1,580.40	15,804	5.05	5.97	7.06
9½ to 10 years (9/1/77)	40.69	81.38	162.76	325.52	813.80	1,627.60	16,276	5.09	8.16	8.16
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (3/1/78)	**42.35**	**84.70**	**169.40**	**338.80**	**847.00**	**1,694.00**	**16,940**	[3] **5.25**		

[1] Month, day, and year on which issues of June 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.64 percent.

TABLE 61

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1960

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/68)	$25.23	$50.46	$100.92	$201.84	$504.60	$1,009.20	$10,092	0.00	4.12	4.25
½ to 1 year (12/1/68)	25.75	51.50	103.00	206.00	515.00	1,030.00	10,300	4.12	4.19	4.26
1 to 1½ years (6/1/69)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	4.16	4.18	5.00
1½ to 2 years (12/1/69)	26.84	53.68	107.36	214.72	536.80	1,073.60	10,736	4.17	4.25	5.05
2 to 2½ years (6/1/70)	27.41	54.82	109.64	219.28	548.20	1,096.40	10,964	4.19	4.89	5.60
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
2½ to 3 years (12/1/70)	28.08	56.16	112.32	224.64	561.60	1,123.20	11,232	4.33	4.91	5.64
3 to 3½ years (6/1/71)	28.77	57.54	115.08	230.16	575.40	1,150.80	11,508	4.42	5.07	5.70
3½ to 4 years (12/1/71)	29.50	59.00	118.00	236.00	590.00	1,180.00	11,800	4.52	5.08	5.75
4 to 4½ years (6/1/72)	30.25	60.50	121.00	242.00	605.00	1,210.00	12,100	4.59	5.16	5.80
4½ to 5 years (12/1/72)	31.03	62.06	124.12	248.24	620.60	1,241.20	12,412	4.65	5.22	5.86
5 to 5½ years (6/1/73)	31.84	63.68	127.36	254.72	636.80	1,273.60	12,736	4.71	5.34	5.92
5½ to 6 years (12/1/73)	32.69	65.38	130.76	261.52	653.80	1,307.60	13,076	4.77	5.51	5.99
6 to 6½ years (6/1/74)	33.59	67.18	134.36	268.72	671.80	1,343.60	13,436	4.83	5.48	6.05
6½ to 7 years (12/1/74)	34.51	69.02	138.04	276.08	690.20	1,380.40	13,804	4.88	5.56	6.13
7 to 7½ years (6/1/75)	35.47	70.94	141.88	283.76	709.40	1,418.80	14,188	4.93	5.75	6.22
7½ to 8 years (12/1/75)	36.49	72.98	145.96	291.92	729.80	1,459.60	14,596	4.98	5.76	6.32
8 to 8½ years (6/1/76)	37.54	75.08	150.16	300.32	750.80	1,501.60	15,016	5.03	5.86	6.46
8½ to 9 years (12/1/76)	38.64	77.28	154.56	309.12	772.80	1,545.60	15,456	5.08	5.85	6.66
9 to 9½ years (6/1/77)	39.77	79.54	159.08	318.16	795.40	1,590.80	15,908	5.12	6.03	7.07
9½ to 10 years (12/1/77)	40.97	81.94	163.88	327.76	819.40	1,638.80	16,388	5.17	8.10	8.10
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (6/1/78)	**42.63**	**85.26**	**170.52**	**341.04**	**852.60**	**1,705.20**	**17,052**	[3] **5.31**		

[1] Month, day, and year on which issues of Sept. 1, 1960 enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.68 percent.

TABLE 62

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1960, THROUGH FEBRUARY 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](9/1/68)	$25.28	$50.56	$101.12	$202.24	$505.60	$1,011.20	$10,112	0.00	4.11	4.25
½ to 1 year (3/1/69)	25.80	51.60	103.20	206.40	516.00	1,032.00	10,320	4.11	4.19	4.26
1 to 1½ years (9/1/69)	26.34	52.68	105.36	210.72	526.80	1,053.60	10,536	4.15	4.25	5.00
1½ to 2 years (3/1/70)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	4.18	4.24	5.04
2 to 2½ years (9/1/70)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.20	4.81	5.59
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
2½ to 3 years (3/1/71)	28.13	56.26	112.52	225.04	562.60	1,125.20	11,252	4.32	4.98	5.65
3 to 3½ years (9/1/71)	28.83	57.66	115.32	230.64	576.60	1,153.20	11,532	4.43	5.06	5.69
3½ to 4 years (3/1/72)	29.56	59.12	118.24	236.48	591.20	1,182.40	11,824	4.52	5.01	5.74
4 to 4½ years (9/1/72)	30.30	60.60	121.20	242.40	606.00	1,212.00	12,120	4.58	5.21	5.80
4½ to 5 years (3/1/73)	31.09	62.18	124.36	248.72	621.80	1,243.60	12,436	4.65	5.21	5.86
5 to 5½ years (9/1/73)	31.90	63.80	127.60	255.20	638.00	1,276.00	12,760	4.71	5.45	5.92
5½ to 6 years (3/1/74)	32.77	65.54	131.08	262.16	655.40	1,310.80	13,108	4.77	5.37	5.97
6 to 6½ years (9/1/74)	33.65	67.30	134.60	269.20	673.00	1,346.00	13,460	4.82	5.53	6.05
6½ to 7 years (3/1/75)	34.58	69.16	138.32	276.64	691.60	1,383.20	13,832	4.88	5.61	6.12
7 to 7½ years (9/1/75)	35.55	71.10	142.20	284.40	711.00	1,422.00	14,220	4.93	5.68	6.21
7½ to 8 years (3/1/76)	36.56	73.12	146.24	292.48	731.20	1,462.40	14,624	4.98	5.69	6.32
8 to 8½ years (9/1/76)	37.60	75.20	150.40	300.80	752.00	1,504.00	15,040	5.02	5.90	6.47
8½ to 9 years (3/1/77)	38.71	77.42	154.84	309.68	774.20	1,548.40	15,484	5.08	5.94	6.66
9 to 9½ years (9/1/77)	39.86	79.72	159.44	318.88	797.20	1,594.40	15,944	5.12	6.02	7.03
9½ to 10 years (3/1/78)	41.06	82.12	164.24	328.48	821.20	1,642.40	16,424	5.17	8.04	8.04
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/78)	**42.71**	**85.42**	**170.84**	**341.68**	**854.20**	**1,708.40**	**17,084**	[3] 5.31	....	....

[1] Month, day, and year on which issues of Dec. 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.60 percent.

TABLE 63

BONDS BEARING ISSUE DATES FROM MARCH 1 THROUGH MAY 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD									
								Percent	*Percent*	*Percent*
First ½ year [1](12/1/68)	$25.28	$50.56	$101.12	$202.24	$505.60	$1,011.20	$10,112	0.00	4.11	4.25
½ to 1 year (6/1/69)	25.80	51.60	103.20	206.40	516.00	1,032.00	10,320	4.11	4.26	5.00
1 to 1½ years (12/1/69)	26.35	52.70	105.40	210.80	527.00	1,054.00	10,540	4.19	4.25	5.04
1½ to 2 years (6/1/70)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.21	4.83	5.59
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
2 to 2½ years (12/1/70)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.36	4.93	5.64
2½ to 3 years (6/1/71)	28.24	56.48	112.96	225.92	564.80	1,129.60	11,296	4.48	5.03	5.68
3 to 3½ years (12/1/71)	28.95	57.90	115.80	231.60	579.00	1,158.00	11,580	4.57	5.04	5.73
3½ to 4 years (6/1/72)	29.68	59.36	118.72	237.44	593.60	1,187.20	11,872	4.64	5.12	5.78
4 to 4½ years (12/1/72)	30.44	60.88	121.76	243.52	608.80	1,217.60	12,176	4.70	5.26	5.84
4½ to 5 years (6/1/73)	31.24	62.48	124.96	249.92	624.80	1,249.60	12,496	4.76	5.31	5.89
5 to 5½ years (12/1/73)	32.07	64.14	128.28	256.56	641.40	1,282.80	12,828	4.82	5.43	5.95
5½ to 6 years (6/1/74)	32.94	65.88	131.76	263.52	658.80	1,317.60	13,176	4.87	5.53	6.01
6 to 6½ years (12/1/74)	33.85	67.70	135.40	270.80	677.00	1,354.00	13,540	4.93	5.49	6.07
6½ to 7 years (6/1/75)	34.78	69.56	139.12	278.24	695.60	1,391.20	13,912	4.97	5.64	6.15
7 to 7½ years (12/1/75)	35.76	71.52	143.04	286.08	715.20	1,430.40	14,304	5.02	5.70	6.23
7½ to 8 years (6/1/76)	36.78	73.56	147.12	294.24	735.60	1,471.20	14,712	5.06	5.76	6.34
8 to 8½ years (12/1/76)	37.84	75.68	151.36	302.72	756.80	1,513.60	15,136	5.11	5.87	6.48
8½ to 9 years (6/1/77)	38.95	77.90	155.80	311.60	779.00	1,558.00	15,580	5.15	5.96	6.69
9 to 9½ years (12/1/77)	40.11	80.22	160.44	320.88	802.20	1,604.40	16,044	5.20	6.03	7.06
9½ to 10 years (6/1/78)	41.32	82.64	165.28	330.56	826.40	1,652.80	16,528	5.24	8.08	8.08
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (12/1/78)	42.99	85.98	171.96	343.92	859.80	1,719.60	17,196	[3] 5.38		

[1] Month, day, and year on which issues of Mar. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.73 percent.

TABLE 64

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (3/1/69)	$25.34	$50.68	$101.36	$202.72	$506.80	$1,013.60	$10,136	0.00	4.18	4.25
½ to 1 year (9/1/69)	25.87	51.74	103.48	206.96	517.40	1,034.80	10,348	4.18	4.17	5.00
1 to 1½ years (3/1/70)	26.41	52.82	105.64	211.28	528.20	1,056.40	10,564	4.18	4.24	5.05
1½ to 2 years (9/1/70)	26.97	53.94	107.88	215.76	539.40	1,078.80	10,788	4.20	4.89	5.59
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
2 to 2½ years (3/1/71)	27.63	55.26	110.52	221.04	552.60	1,105.20	11,052	4.37	4.92	5.64
2½ to 3 years (9/1/71)	28.31	56.62	113.24	226.48	566.20	1,132.40	11,324	4.48	4.95	5.69
3 to 3½ years (3/1/72)	29.01	58.02	116.04	232.08	580.20	1,160.40	11,604	4.56	5.10	5.74
3½ to 4 years (9/1/72)	29.75	59.50	119.00	238.00	595.00	1,190.00	11,900	4.64	5.18	5.79
4 to 4½ years (3/1/73)	30.52	61.04	122.08	244.16	610.40	1,220.80	12,208	4.70	5.24	5.84
4½ to 5 years (9/1/73)	31.32	62.64	125.28	250.56	626.40	1,252.80	12,528	4.76	5.30	5.89
5 to 5½ years (3/1/74)	32.15	64.30	128.60	257.20	643.00	1,286.00	12,860	4.82	5.41	5.95
5½ to 6 years (9/1/74)	33.02	66.04	132.08	264.16	660.40	1,320.80	13,208	4.87	5.51	6.01
6 to 6½ years (3/1/75)	33.93	67.86	135.72	271.44	678.60	1,357.20	13,572	4.92	5.54	6.08
6½ to 7 years (9/1/75)	34.87	69.74	139.48	278.96	697.40	1,394.80	13,948	4.97	5.62	6.15
7 to 7½ years (3/1/76)	35.85	71.70	143.40	286.80	717.00	1,434.00	14,340	5.02	5.69	6.24
7½ to 8 years (9/1/76)	36.87	73.74	147.48	294.96	737.40	1,474.80	14,748	5.06	5.80	6.35
8 to 8½ years (3/1/77)	37.94	75.88	151.76	303.52	758.80	1,517.60	15,176	5.11	5.90	6.49
8½ to 9 years (9/1/77)	39.06	78.12	156.24	312.48	781.20	1,562.40	15,624	5.16	5.89	6.69
9 to 9½ years (3/1/78)	40.21	80.42	160.84	321.68	804.20	1,608.40	16,084	5.20	6.02	7.09
9½ to 10 years (9/1/78)	41.42	82.84	165.68	331.36	828.40	1,656.80	16,568	5.24	8.16	8.16
EXTENDED MATURITY VALUE (17 **years and 9 months from issue date**) (3/1/79)	**43.11**	**86.22**	**172.44**	**344.88**	**862.20**	**1,724.40**	**17,244**	[3] **5.38**		

[1] Month, day, and year on which issues of June 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.75 percent.

TABLE 65

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/69)	$25.34	$50.68	$101.36	$202.72	$506.80	$1,013.60	$10,136	0.00	4.97	5.00
½ to 1 year (12/1/69)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	4.97	5.01	5.00
1 to 1½ years (6/1/70)	26.62	53.24	106.48	212.96	532.40	1,064.80	10,648	4.99	5.56	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
1½ to 2 years (12/1/70)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	5.18	5.48	5.50
2 to 2½ years (6/1/71)	28.11	56.22	112.44	224.88	562.20	1,124.40	11,244	5.25	5.48	5.50
2½ to 3 years (12/1/71)	28.88	57.76	115.52	231.04	577.60	1,155.20	11,552	5.30	5.54	5.50
3 to 3½ years (6/1/72)	29.68	59.36	118.72	237.44	593.60	1,187.20	11,872	5.34	5.46	5.50
3½ to 4 years (12/1/72)	30.49	60.98	121.96	243.92	609.80	1,219.60	12,196	5.36	5.44	5.50
4 to 4½ years (6/1/73)	31.32	62.64	125.28	250.56	626.40	1,252.80	12,528	5.37	5.56	5.50
4½ to 5 years (12/1/73)	32.19	64.38	128.76	257.52	643.80	1,287.60	12,876	5.39	5.53	5.50
5 to 5½ years (6/1/74)	33.08	66.16	132.32	264.64	661.60	1,323.20	13,232	5.40	5.50	5.50
5½ to 6 years (12/1/74)	33.99	67.98	135.96	271.92	679.80	1,359.60	13,596	5.41	5.47	5.49
6 to 6½ years (6/1/75)	34.92	69.84	139.68	279.36	698.40	1,396.80	13,968	5.42	5.50	5.50
6½ to 7 years (12/1/75)	35.88	71.76	143.52	287.04	717.60	1,435.20	14,352	5.42	5.46	5.50
7 to 7½ years (6/1/76)	36.86	73.72	147.44	294.88	737.20	1,474.40	14,744	5.43	5.53	5.50
7½ to 8 years (12/1/76)	37.88	75.76	151.52	303.04	757.60	1,515.20	15,152	5.43	5.54	5.50
8 to 8½ years (6/1/77)	38.93	77.86	155.72	311.44	778.60	1,557.20	15,572	5.44	5.50	5.49
8½ to 9 years (12/1/77)	40.00	80.00	160.00	320.00	800.00	1,600.00	16,000	5.44	5.45	5.48
9 to 9½ years (6/1/78)	41.09	82.18	164.36	328.72	821.80	1,643.60	16,436	5.44	5.50	5.50
9½ to 10 years (12/1/78)	42.22	84.44	168.88	337.76	844.40	1,688.80	16,888	5.45	5.50	5.50
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (6/1/79)	**43.38**	**86.76**	**173.52**	**347.04**	**867.60**	**1,735.20**	**17,352**	[3] **5.45**		

[1] Month, day, and year on which issues of Sept. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.78 percent.

TABLE 66

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1961, THROUGH FEBRUARY 1, 1962

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1](9/1/69)	$25.41	$50.82	$101.64	$203.28	$508.20	$1,016.40	$10,164	0.00	4.96	5.00
½ to 1 year (3/1/70)	26.04	52.08	104.16	208.32	520.80	1,041.60	10,416	4.96	4.99	5.00
1 to 1½ years (9/1/70)	26.69	53.38	106.76	213.52	533.80	1,067.60	10,676	4.98	5.55	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
1½ to 2 years (3/1/71)	27.43	54.86	109.72	219.44	548.60	1,097.20	10,972	5.17	5.54	5.50
2 to 2½ years (9/1/71)	28.19	56.38	112.76	225.52	563.80	1,127.60	11,276	5.26	5.46	5.50
2½ to 3 years (3/1/72)	28.96	57.92	115.84	231.68	579.20	1,158.40	11,584	5.30	5.52	5.50
3 to 3½ years (9/1/72)	29.76	59.52	119.04	238.08	595.20	1,190.40	11,904	5.34	5.44	5.50
3½ to 4 years (3/1/73)	30.57	61.14	122.28	244.56	611.40	1,222.80	12,228	5.35	5.56	5.50
4 to 4½ years (9/1/73)	31.42	62.84	125.68	251.36	628.40	1,256.80	12,568	5.38	5.47	5.50
4½ to 5 years (3/1/74)	32.28	64.56	129.12	258.24	645.60	1,291.20	12,912	5.39	5.51	5.50
5 to 5½ years (9/1/74)	33.17	66.34	132.68	265.36	663.40	1,326.80	13,268	5.40	5.49	5.50
5½ to 6 years (3/1/75)	34.08	68.16	136.32	272.64	681.60	1,363.20	13,632	5.41	5.46	5.50
6 to 6½ years (9/1/75)	35.01	70.02	140.04	280.08	700.20	1,400.40	14,004	5.41	5.54	5.51
6½ to 7 years (3/1/76)	35.98	71.96	143.92	287.84	719.60	1,439.20	14,392	5.42	5.45	5.50
7 to 7½ years (9/1/76)	36.96	73.92	147.84	295.68	739.20	1,478.40	14,784	5.43	5.52	5.51
7½ to 8 years (3/1/77)	37.98	75.96	151.92	303.84	759.60	1,519.20	15,192	5.43	5.53	5.51
8 to 8½ years (9/1/77)	39.03	78.06	156.12	312.24	780.60	1,561.20	15,612	5.44	5.48	5.51
8½ to 9 years (3/1/78)	40.10	80.20	160.40	320.80	802.00	1,604.00	16,040	5.44	5.54	5.52
9 to 9½ years (9/1/78)	41.21	82.42	164.84	329.68	824.20	1,648.40	16,484	5.45	5.48	5.51
9½ to 10 years (3/1/79)	42.34	84.68	169.36	338.72	846.80	1,693.60	16,936	5.45	5.53	5.53
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/79)	**43.51**	**87.02**	**174.04**	**348.08**	**870.20**	**1,740.40**	**17,404**	[3] **5.45**		

[1] Month, day, and year on which issues of Dec. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.80 percent.

TABLE 67

BONDS BEARING ISSUE DATES FROM MARCH 1 THROUGH MAY 1, 1962

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (12/1/69)	$25.41	$50.82	$101.64	$203.28	$508.20	$1,016.40	$10,164	0.00	4.96	5.00
½ to 1 year (6/1/70)	26.04	52.08	104.16	208.32	520.80	1,041.60	10,416	4.96	5.53	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
1 to 1½ years (12/1/70)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	5.24	5.46	5.50
1½ to 2 years (6/1/71)	27.49	54.98	109.96	219.92	549.80	1,099.60	10,996	5.31	5.60	5.50
2 to 2½ years (12/1/71)	28.26	56.52	113.04	226.08	565.20	1,130.40	11,304	5.39	5.45	5.50
2½ to 3 years (6/1/72)	29.03	58.06	116.12	232.24	580.60	1,161.20	11,612	5.40	5.51	5.50
3 to 3½ years (12/1/72)	29.83	59.66	119.32	238.64	596.60	1,193.20	11,932	5.42	5.43	5.50
3½ to 4 years (6/1/73)	30.64	61.28	122.56	245.12	612.80	1,225.60	12,256	5.42	5.55	5.50
4 to 4½ years (12/1/73)	31.49	62.98	125.96	251.92	629.80	1,259.60	12,596	5.44	5.46	5.50
4½ to 5 years (6/1/74)	32.35	64.70	129.40	258.80	647.00	1,294.00	12,940	5.44	5.56	5.50
5 to 5½ years (12/1/74)	33.25	66.50	133.00	266.00	665.00	1,330.00	13,300	5.45	5.47	5.50
5½ to 6 years (6/1/75)	34.16	68.32	136.64	273.28	683.20	1,366.40	13,664	5.45	5.50	5.50
6 to 6½ years (12/1/75)	35.10	70.20	140.40	280.80	702.00	1,404.00	14,040	5.46	5.53	5.50
6½ to 7 years (6/1/76)	36.07	72.14	144.28	288.56	721.40	1,442.80	14,428	5.46	5.49	5.50
7 to 7½ years (12/1/76)	37.06	74.12	148.24	296.48	741.20	1,482.40	14,824	5.46	5.50	5.50
7½ to 8 years (6/1/77)	38.08	76.16	152.32	304.64	761.60	1,523.20	15,232	5.47	5.46	5.50
8 to 8½ years (12/1/77)	39.12	78.24	156.48	312.96	782.40	1,564.80	15,648	5.47	5.52	5.51
8½ to 9 years (6/1/78)	40.20	80.40	160.80	321.60	804.00	1,608.00	16,080	5.47	5.52	5.50
9 to 9½ years (12/1/78)	41.31	82.62	165.24	330.48	826.20	1,652.40	16,524	5.47	5.47	5.49
9½ to 10 years (6/1/79)	42.44	84.88	169.76	339.52	848.80	1,697.60	16,976	5.47	5.51	5.51
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (12/1/79)	43.61	87.22	174.44	348.88	872.20	1,744.40	17,444	[3] 5.48		

[1] Month, day, and year on which issues of March 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.81 percent

TABLE 68

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1962

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (3/1/70)	$25.47	$50.94	$101.88	$203.76	$509.40	$1,018.80	$10,188	0.00	4.95	5.00
½ to 1 year (9/1/70)	26.10	52.20	104.40	208.80	522.00	1,044.00	10,440	4.95	5.59	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
1 to 1½ years (3/1/71)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	5.27	5.44	5.50
1½ to 2 years (9/1/71)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	5.33	5.52	5.50
2 to 2½ years (3/1/72)	28.32	56.64	113.28	226.56	566.40	1,132.80	11,328	5.37	5.51	5.50
2½ to 3 years (9/1/72)	29.10	58.20	116.40	232.80	582.00	1,164.00	11,640	5.40	5.50	5.50
3 to 3½ years (3/1/73)	29.90	59.80	119.60	239.20	598.00	1,196.00	11,960	5.42	5.55	5.50
3½ to 4 years (9/1/73)	30.73	61.46	122.92	245.84	614.60	1,229.20	12,292	5.44	5.40	5.50
4 to 4½ years (3/1/74)	31.56	63.12	126.24	252.48	631.20	1,262.40	12,624	5.43	5.58	5.51
4½ to 5 years (9/1/74)	32.44	64.88	129.76	259.52	648.80	1,297.60	12,976	5.45	5.43	5.50
5 to 5½ years (3/1/75)	33.32	66.64	133.28	266.56	666.40	1,332.80	13,328	5.45	5.52	5.51
5½ to 6 years (9/1/75)	34.24	68.48	136.96	273.92	684.80	1,369.60	13,696	5.45	5.49	5.51
6 to 6½ years (3/1/76)	35.18	70.36	140.72	281.44	703.60	1,407.20	14,072	5.46	5.51	5.51
6½ to 7 years (9/1/76)	36.15	72.30	144.60	289.20	723.00	1,446.00	14,460	5.46	5.53	5.51
7 to 7½ years (3/1/77)	37.15	74.30	148.60	297.20	743.00	1,486.00	14,860	5.47	5.49	5.50
7½ to 8 years (9/1/77)	38.17	76.34	152.68	305.36	763.40	1,526.80	15,268	5.47	5.50	5.50
8 to 8½ years (3/1/78)	39.22	78.44	156.88	313.76	784.40	1,568.80	15,688	5.47	5.51	5.51
8½ to 9 years (9/1/78)	40.30	80.60	161.20	322.40	806.00	1,612.00	16,120	5.47	5.46	5.50
9 to 9½ years (3/1/79)	41.40	82.80	165.60	331.20	828.00	1,656.00	16,560	5.47	5.56	5.53
9½ to 10 years (9/1/79)	42.55	85.10	170.20	340.40	851.00	1,702.00	17,020	5.48	5.50	5.50
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (3/1/80)	43.72	87.44	174.88	349.76	874.40	1,748.80	17,488	[3] 5.48	----------	----------

[1] Month, day, and year on which issues of June 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.83 percent.

TABLE 69

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1962

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield (annual percentage rate)		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) From beginning of extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to extended maturity [2]
								Percent	*Percent*	*Percent*
First ½ year [1] (6/1/70)	$25.47	$50.94	$101.88	$203.76	$509.40	$1,018.80	$10,188	0.00	5.42	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision										
½ to 1 year (12/1/70)	26.16	52.32	104.64	209.28	523.20	1,046.40	10,464	5.42	5.58	5.50
1 to 1½ years (6/1/71)	26.89	53.78	107.56	215.12	537.80	1,075.60	10,756	5.50	5.50	5.50
1½ to 2 years (12/1/71)	27.63	55.26	110.52	221.04	552.60	1,105.20	11,052	5.50	5.50	5.50
2 to 2½ years (6/1/72)	28.39	56.78	113.56	227.12	567.80	1,135.60	11,356	5.50	5.49	5.50
2½ to 3 years (12/1/72)	29.17	58.34	116.68	233.36	583.40	1,166.80	11,668	5.50	5.49	5.50
3 to 3½ years (6/1/73)	29.97	59.94	119.88	239.76	599.40	1,198.80	11,988	5.50	5.54	5.50
3½ to 4 years (12/1/73)	30.80	61.60	123.20	246.40	616.00	1,232.00	12,320	5.50	5.45	5.50
4 to 4½ years (6/1/74)	31.64	63.28	126.56	253.12	632.80	1,265.60	12,656	5.50	5.56	5.50
4½ to 5 years (12/1/74)	32.52	65.04	130.08	260.16	650.40	1,300.80	13,008	5.50	5.41	5.50
5 to 5½ years (6/1/75)	33.40	66.80	133.60	267.20	668.00	1,336.00	13,360	5.50	5.57	5.51
5½ to 6 years (12/1/75)	34.33	68.66	137.32	274.64	686.60	1,373.20	13,732	5.50	5.48	5.50
6 to 6½ years (6/1/76)	35.27	70.54	141.08	282.16	705.40	1,410.80	14,108	5.50	5.50	5.50
6½ to 7 years (12/1/76)	36.24	72.48	144.96	289.92	724.80	1,449.60	14,496	5.50	5.52	5.50
7 to 7½ years (6/1/77)	37.24	74.48	148.96	297.92	744.80	1,489.60	14,896	5.50	5.48	5.50
7½ to 8 years (12/1/77)	38.26	76.52	153.04	306.08	765.20	1,530.40	15,304	5.50	5.49	5.50
8 to 8½ years (6/1/78)	39.31	78.62	157.24	314.48	786.20	1,572.40	15,724	5.50	5.55	5.50
8½ to 9 years (12/1/78)	40.40	80.80	161.60	323.20	808.00	1,616.00	16,160	5.50	5.45	5.49
9 to 9½ years (6/1/79)	41.50	83.00	166.00	332.00	830.00	1,660.00	16,600	5.50	5.54	5.51
9½ to 10 years (12/1/79)	42.65	85.30	170.60	341.20	853.00	1,706.00	17,060	5.50	5.49	5.49
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (6/1/80)	**43.82**	**87.64**	**175.28**	**350.56**	**876.40**	**1,752.80**	**17,528**	[3] **5.50**		

[1] Month, day, and year on which issues of September 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.84 percent.

439-865 O - 71 - 18

TABLE 70

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1962, THROUGH MAY 1, 1963

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)							(2) From beginning of each maturity or extended maturity period to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] (a) to maturity [3]
								Percent	*Percent*	*Percent*
First ½ year [2] (12/1/62)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (6/1/63)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (12/1/63)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.34	3.96
1½ to 2 years (6/1/64)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.00	4.01
2 to 2½ years (12/1/64)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	3.82	4.01
2½ to 3 years (6/1/65)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	3.75	4.03
3 to 3½ years (12/1/65)	20.66	41.32	82.64	165.28	413.20	826.40	8,264	3.26	4.07	4.46
3½ to 4 years (6/1/66)	21.08	42.16	84.32	168.64	421.60	843.20	8,432	3.37	4.17	4.50
4 to 4½ years (12/1/66)	21.52	43.04	86.08	172.16	430.40	860.80	8,608	3.47	4.37	4.54
4½ to 5 years (6/1/67)	21.99	43.98	87.96	175.92	439.80	879.60	8,796	3.57	4.46	4.57
5 to 5½ years (12/1/67)	22.48	44.96	89.92	179.84	449.60	899.20	8,992	3.66	4.45	4.59
5½ to 6 years (6/1/68)	22.98	45.96	91.92	183.84	459.60	919.20	9,192	3.73	4.53	4.73
6 to 6½ years (12/1/68)	23.50	47.00	94.00	188.00	470.00	940.00	9,400	3.80	4.60	4.79
6½ to 7 years (6/1/69)	24.04	48.08	96.16	192.32	480.80	961.60	9,616	3.86	4.74	5.00
7 to 7½ years (12/1/69)	24.61	49.22	98.44	196.88	492.20	984.40	9,844	3.92	4.79	5.17
7½ years to 7 years and 9 months (6/1/70)	25.20	50.40	100.80	201.60	504.00	1,008.00	10,080	3.98	5.92	5.92
MATURITY VALUE (7 years and 9 months from issue date) (9/1/70)	**25.57**	**51.14**	**102.28**	**204.56**	**511.40**	**1,022.80**	**10,228**	4.04		

Period after maturity date											(b) to extended maturity [3]
EXTENDED MATURITY PERIOD											
First ½ year	(9/1/70)	$25.57	$51.14	$102.28	$204.56	$511.40	$1,022.80	$10,228	0.00	5.48	5.50
Redemption values and investment yields to extended maturity on basis of June 1, 1970, revision											
½ to 1 year	(3/1/71)	26.27	52.54	105.08	210.16	525.40	1,050.80	10,508	5.48	5.56	5.50
1 to 1½ years	(9/1/71)	27.00	54.00	108.00	216.00	540.00	1,080.00	10,800	5.52	5.48	5.50
1½ to 2 years	(3/1/72)	27.74	55.48	110.96	221.92	554.80	1,109.60	11,096	5.50	5.48	5.50
2 to 2½ years	(9/1/72)	28.50	57.00	114.00	228.00	570.00	1,140.00	11,400	5.50	5.47	5.50
2½ to 3 years	(3/1/73)	29.28	58.56	117.12	234.24	585.60	1,171.20	11,712	5.49	5.53	5.50
3 to 3½ years	(9/1/73)	30.09	60.18	120.36	240.72	601.80	1,203.60	12,036	5.50	5.52	5.50
3½ to 4 years	(3/1/74)	30.92	61.84	123.68	247.36	618.40	1,236.80	12,368	5.50	5.50	5.50
4 to 4½ years	(9/1/74)	31.77	63.54	127.08	254.16	635.40	1,270.80	12,708	5.50	5.48	5.50
4½ to 5 years	(3/1/75)	32.64	65.28	130.56	261.12	652.80	1,305.60	13,056	5.50	5.51	5.50
5 to 5½ years	(9/1/75)	33.54	67.08	134.16	268.32	670.80	1,341.60	13,416	5.50	5.49	5.50
5½ to 6 years	(3/1/76)	34.46	68.92	137.84	275.68	689.20	1,378.40	13,784	5.50	5.51	5.50
6 to 6½ years	(9/1/76)	35.41	70.82	141.64	283.28	708.20	1,416.40	14,164	5.50	5.48	5.50
6½ to 7 years	(3/1/77)	36.38	72.76	145.52	291.04	727.60	1,455.20	14,552	5.50	5.50	5.50
7 to 7½ years	(9/1/77)	37.38	74.76	149.52	299.04	747.60	1,495.20	14,952	5.50	5.51	5.50
7½ to 8 years	(3/1/78)	38.41	76.82	153.64	307.28	768.20	1,536.40	15,364	5.50	5.52	5.50
8 to 8½ years	(9/1/78)	39.47	78.94	157.88	315.76	789.40	1,578.80	15,788	5.50	5.47	5.50
8½ to 9 years	(3/1/79)	40.55	81.10	162.20	324.40	811.00	1,622.00	16,220	5.50	5.52	5.50
9 to 9½ years	(9/1/79)	41.67	83.34	166.68	333.36	833.40	1,666.80	16,668	5.50	5.47	5.49
9½ to 10 years	(3/1/80)	42.81	85.62	171.24	342.48	856.20	1,712.40	17,124	5.50	5.51	5.51
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)	(9/1/80)	43.99	87.98	175.96	351.92	879.80	1,759.60	17,596	[4] 5.50		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.86 percent.

TABLE 71

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1963

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)							(2) From beginning of each maturity or extended maturity period to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] (a) to maturity [3]
								Percent	*Percent*	*Percent*
First ½ year [2](6/1/63)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (12/1/63)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (6/1/64)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.34	3.96
1½ to 2 years (12/1/64)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.00	4.01
2 to 2½ years (6/1/65)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	3.82	4.01
2½ to 3 years (12/1/65)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	3.85	4.43
3 to 3½ years (6/1/66)	20.67	41.34	82.68	165.36	413.40	826.80	8,268	3.28	4.06	4.49
3½ to 4 years (12/1/66)	21.09	42.18	84.36	168.72	421.80	843.60	8,436	3.39	4.27	4.54
4 to 4½ years (6/1/67)	21.54	43.08	86.16	172.32	430.80	861.60	8,616	3.50	4.46	4.57
4½ to 5 years (12/1/67)	22.02	44.04	88.08	176.16	440.40	880.80	8,808	3.60	4.45	4.59
5 to 5½ years (6/1/68)	22.51	45.02	90.04	180.08	450.20	900.40	9,004	3.69	4.53	4.72
5½ to 6 years (12/1/68)	23.02	46.04	92.08	184.16	460.40	920.80	9,208	3.77	4.52	4.76
6 to 6½ years (6/1/69)	23.54	47.08	94.16	188.32	470.80	941.60	9,416	3.83	4.67	4.99
6½ to 7 years (12/1/69)	24.09	48.18	96.36	192.72	481.80	963.60	9,636	3.89	4.73	5.12
7 to 7½ years (6/1/70)	24.66	49.32	98.64	197.28	493.20	986.40	9,864	3.95	4.95	5.90

Redemption values and investment yields to maturity and extended maturity on basis of June 1, 1970, revision

7½ years to 7 years and 9 months . (12/1/70)	25.27	50.54	101.08	202.16	505.40	1,010.80	10,108	4.02	7.83	7.83
MATURITY VALUE (7 years and 9 months from issue date) ..... (3/1/71)	**25.76**	**51.52**	**103.04**	**206.08**	**515.20**	**1,030.40**	**10,304**	**4.14**	....	
Period after maturity date	EXTENDED MATURITY PERIOD									(b) to extended maturity[3]
First ½ year ....(3/1/71)	$25.76	$51.52	$103.04	$206.08	$515.20	$1,030.40	$10,304	0.00	5.51	5.50
½ to 1 year ....(9/1/71)	26.47	52.94	105.88	211.76	529.40	1,058.80	10,588	5.51	5.52	5.50
1 to 1½ years ....(3/1/72)	27.20	54.40	108.80	217.60	544.00	1,088.00	10,880	5.51	5.44	5.50
1½ to 2 years ....(9/1/72)	27.94	55.88	111.76	223.52	558.80	1,117.60	11,176	5.49	5.51	5.50
2 to 2½ years ....(3/1/73)	28.71	57.42	114.84	229.68	574.20	1,148.40	11,484	5.50	5.50	5.50
2½ to 3 years ....(9/1/73)	29.50	59.00	118.00	236.00	590.00	1,180.00	11,800	5.50	5.49	5.50
3 to 3½ years ....(3/1/74)	30.31	60.62	121.24	242.48	606.20	1,212.40	12,124	5.50	5.54	5.50
3½ to 4 years ....(9/1/74)	31.15	62.30	124.60	249.20	623.00	1,246.00	12,460	5.50	5.46	5.50
4 to 4½ years ....(3/1/75)	32.00	64.00	128.00	256.00	640.00	1,280.00	12,800	5.50	5.50	5.50
4½ to 5 years ....(9/1/75)	32.88	65.76	131.52	263.04	657.60	1,315.20	13,152	5.50	5.54	5.50
5 to 5½ years ....(3/1/76)	33.79	67.58	135.16	270.32	675.80	1,351.60	13,516	5.50	5.50	5.50
5½ to 6 years ....(9/1/76)	34.72	69.44	138.88	277.76	694.40	1,388.80	13,888	5.50	5.47	5.50
6 to 6½ years ....(3/1/77)	35.67	71.34	142.68	285.36	713.40	1,426.80	14,268	5.50	5.49	5.50
6½ to 7 years ....(9/1/77)	36.65	73.30	146.60	293.20	733.00	1,466.00	14,660	5.50	5.51	5.50
7 to 7½ years ....(3/1/78)	37.66	75.32	150.64	301.28	753.20	1,506.40	15,064	5.50	5.52	5.50
7½ to 8 years ....(9/1/78)	38.70	77.40	154.80	309.60	774.00	1,548.00	15,480	5.50	5.48	5.50
8 to 8½ years ....(3/1/79)	39.76	79.52	159.04	318.08	795.20	1,590.40	15,904	5.50	5.48	5.50
8½ to 9 years ....(9/1/79)	40.85	81.70	163.40	326.80	817.00	1,634.00	16,340	5.50	5.53	5.51
9 to 9½ years ....(3/1/80)	41.98	83.96	167.92	335.84	839.60	1,679.20	16,792	5.50	5.48	5.50
9½ to 10 years ....(9/1/80)	43.13	86.26	172.52	345.04	862.60	1,725.20	17,252	5.50	5.52	5.52
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) ....(3/1/81)	**44.32**	**88.64**	**177.28**	**354.56**	**886.40**	**1,772.80**	**17,728**	[4] **5.50**	....	

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1963, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.91 percent.

TABLE 72

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1963, THROUGH MARCH 1, 1964

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) From beginning of each maturity or extended maturity period to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] (a) to maturity [3]
									Percent	*Percent*	*Percent*
First ½ year [2] (12/1/63)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (6/1/64)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (12/1/64)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.34	3.96
1½ to 2 years (6/1/65)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	2.67	4.00	4.01
2 to 2½ years (12/1/65)	19.90	39.80	59.70	79.60	159.20	398.00	796.00	7,960	3.00	3.92	4.41
2½ to 3 years (6/1/66)	20.29	40.58	60.87	81.16	162.32	405.80	811.60	8,116	3.18	3.84	4.45
3 to 3½ years (12/1/66)	20.68	41.36	62.04	82.72	165.44	413.60	827.20	8,272	3.29	4.06	4.52
3½ to 4 years (6/1/67)	21.10	42.20	63.30	84.40	168.80	422.00	844.00	8,440	3.40	4.36	4.57
4 to 4½ years (12/1/67)	21.56	43.12	64.68	86.24	172.48	431.20	862.40	8,624	3.52	4.55	4.60
4½ to 5 years (6/1/68)	22.05	44.10	66.15	88.20	176.40	441.00	882.00	8,820	3.64	4.44	4.72
5 to 5½ years (12/1/68)	22.54	45.08	67.62	90.16	180.32	450.80	901.60	9,016	3.72	4.53	4.77
5½ to 6 years (6/1/69)	23.05	46.10	69.15	92.20	184.40	461.00	922.00	9,220	3.79	4.69	5.00
6 to 6½ years (12/1/69)	23.59	47.18	70.77	94.36	188.72	471.80	943.60	9,436	3.86	4.75	5.09
6½ to 7 years (6/1/70)	24.15	48.30	72.45	96.60	193.20	483.00	966.00	9,660	3.93	4.80	5.74

Redemption values and investment yields to maturity and extended maturity on basis of June 1, 1970, revision

7 to 7½ years (12/1/70)	24.73	49.46	74.19	98.92	197.84	494.60	989.20	9,892	3.99	5.01	6.37
7½ years to 7 years and 9 months (6/1/71)	25.35	50.70	76.05	101.40	202.80	507.00	1,014.00	10,140	4.06	9.10	9.10
MATURITY VALUE (7 years and 9 months from issue date) (9/1/71)	**25.92**	**51.84**	**77.76**	**103.68**	**207.36**	**518.40**	**1,036.80**	**10,368**	[3] **4.22**		
Period after maturity date	EXTENDED MATURITY PERIOD										(b) to extended maturity[3]
First ½ year (9/1/71)	$25.92	$51.84	$77.76	$103.68	$207.36	$518.40	$1,036.80	$10,368	0.00	5.48	5.50
½ to 1 year (3/1/72)	26.63	53.26	79.89	106.52	213.04	532.60	1,065.20	10,652	5.48	5.56	5.50
1 to 1½ years (9/1/72)	27.37	54.74	82.11	109.48	218.96	547.40	1,094.80	10,948	5.52	5.48	5.50
1½ to 2 years (3/1/73)	28.12	56.24	84.36	112.48	224.96	562.40	1,124.80	11,248	5.51	5.48	5.50
2 to 2½ years (9/1/73)	28.89	57.78	86.67	115.56	231.12	577.80	1,155.60	11,556	5.50	5.54	5.50
2½ to 3 years (3/1/74)	29.69	59.38	89.07	118.76	237.52	593.80	1,187.60	11,876	5.51	5.46	5.50
3 to 3½ years (9/1/74)	30.50	61.00	91.50	122.00	244.00	610.00	1,220.00	12,200	5.50	5.51	5.50
3½ to 4 years (3/1/75)	31.34	62.68	94.02	125.36	250.72	626.80	1,253.60	12,536	5.50	5.49	5.50
4 to 4½ years (9/1/75)	32.20	64.40	96.60	128.80	257.60	644.00	1,288.00	12,880	5.50	5.53	5.50
4½ to 5 years (3/1/76)	33.09	66.18	99.27	132.36	264.72	661.80	1,323.60	13,236	5.50	5.50	5.50
5 to 5½ years (9/1/76)	34.00	68.00	102.00	136.00	272.00	680.00	1,360.00	13,600	5.50	5.47	5.50
5½ to 6 years (3/1/77)	34.93	69.86	104.79	139.72	279.44	698.60	1,397.20	13,972	5.50	5.50	5.50
6 to 6½ years (9/1/77)	35.89	71.78	107.67	143.56	287.12	717.80	1,435.60	14,356	5.50	5.52	5.50
6½ to 7 years (3/1/78)	36.88	73.76	110.64	147.52	295.04	737.60	1,475.20	14,752	5.50	5.48	5.50
7 to 7½ years (9/1/78)	37.89	75.78	113.67	151.56	303.12	757.80	1,515.60	15,156	5.50	5.54	5.50
7½ to 8 years (3/1/79)	38.94	77.88	116.82	155.76	311.52	778.80	1,557.60	15,576	5.50	5.50	5.49
8 to 8½ years (9/1/79)	40.01	80.02	120.03	160.04	320.08	800.20	1,600.40	16,004	5.50	5.50	5.49
8½ to 9 years (3/1/80)	41.11	82.22	123.33	164.44	328.88	822.20	1,644.40	16,444	5.50	5.50	5.49
9 to 9½ years (9/1/80)	42.24	84.48	126.72	168.96	337.92	844.80	1,689.60	16,896	5.50	5.49	5.49
9½ to 10 years (3/1/81)	43.40	86.80	130.20	173.60	347.20	868.00	1,736.00	17,360	5.50	5.48	5.48
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/81)	**44.59**	**89.18**	**133.77**	**178.36**	**356.72**	**891.80**	**1,783.60**	**17,836**	[4] **5.50**		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1963, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.94 percent.

TABLE 73

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1964

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*	*Percent*
First ½ year [2] (4/1/64)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (10/1/64)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (4/1/65)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.34	3.96
1½ to 2 years (10/1/65)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	2.67	4.00	4.01
2 to 2½ years (4/1/66)	19.90	39.80	59.70	79.60	159.20	398.00	796.00	7,960	3.00	3.92	4.41
2½ to 3 years (10/1/66)	20.29	40.58	60.87	81.16	162.32	405.80	811.60	8,116	3.18	3.84	4.45
3 to 3½ years (4/1/67)	20.68	41.36	62.04	82.72	165.44	413.60	827.20	8,272	3.29	4.06	4.52
3½ to 4 years (10/1/67)	21.10	42.20	63.30	84.40	168.80	422.00	844.00	8,440	3.40	4.36	4.57
4 to 4½ years (4/1/68)	21.56	43.12	64.68	86.24	172.48	431.20	862.40	8,624	3.52	4.55	4.60
4½ to 5 years (10/1/68)	22.05	44.10	66.15	88.20	176.40	441.00	882.00	8,820	3.64	4.44	4.72
5 to 5½ years (4/1/69)	22.54	45.08	67.62	90.16	180.32	450.80	901.60	9,016	3.72	4.53	4.77
5½ to 6 years (10/1/69)	23.05	46.10	69.15	92.20	184.40	461.00	922.00	9,220	3.79	4.69	5.00
6 to 6½ years (4/1/70)	23.59	47.18	70.77	94.36	188.72	471.80	943.60	9,436	3.86	4.75	5.09
6½ to 7 years (10/1/70)	24.15	48.30	72.45	96.60	193.20	483.00	966.00	9,660	3.93	4.80	5.74
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
7 to 7½ years (4/1/71)	24.73	49.46	74.19	98.92	197.84	494.60	989.20	9,892	3.99	5.01	6.37
7½ years to 7 years and 9 months (10/1/71)	25.35	50.70	76.05	101.40	202.80	507.00	1,014.00	10,140	4.06	9.10	9.10
MATURITY VALUE (7 years and 9 months from issue date) (1/1/72)	**25.92**	**51.84**	**77.76**	**103.68**	**207.36**	**518.40**	**1,036.80**	**10,368**	**4.22**		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.

[2] Month, day, and year on which issues of April 1, 1964, enter each period. For subsequent issue months add the appropriate number of months.

[3] Based on maturity value in effect on the beginning date of the half-year period

TABLE 74

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1964

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*	*Percent*
First ½ year [2] (6/1/64)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (12/1/64)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (6/1/65)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.34	3.96
1½ to 2 years (12/1/65)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	2.67	4.10	4.41
2 to 2½ years (6/1/66)	19.91	39.82	59.73	79.64	159.28	398.20	796.40	7,964	3.02	3.92	4.43
2½ to 3 years (12/1/66)	20.30	40.60	60.90	81.20	162.40	406.00	812.00	8,120	3.20	3.84	4.48
3 to 3½ years (6/1/67)	20.69	41.38	62.07	82.76	165.52	413.80	827.60	8,276	3.31	4.16	4.55
3½ to 4 years (12/1/67)	21.12	42.24	63.36	84.48	168.96	422.40	844.80	8,448	3.43	4.45	4.60
4 to 4½ years (6/1/68)	21.59	43.18	64.77	86.36	172.72	431.80	863.60	8,636	3.56	4.54	4.72
4½ to 5 years (12/1/68)	22.08	44.16	66.24	88.32	176.64	441.60	883.20	8,832	3.67	4.53	4.75
5 to 5½ years (6/1/69)	22.58	45.16	67.74	90.32	180.64	451.60	903.20	9,032	3.75	4.61	4.99
5½ to 6 years (12/1/69)	23.10	46.20	69.30	92.40	184.80	462.00	924.00	9,240	3.83	4.68	5.08
6 to 6½ years (6/1/70)	23.64	47.28	70.92	94.56	189.12	472.80	945.60	9,456	3.90	4.82	5.72
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
6½ to 7 years (12/1/70)	24.21	48.42	72.63	96.84	193.68	484.20	968.40	9,684	3.97	4.96	6.07
7 to 7½ years (6/1/71)	24.81	49.62	74.43	99.24	198.48	496.20	992.40	9,924	4.04	5.08	6.82
7½ years to 7 years and 9 months (12/1/71)	25.44	50.88	76.32	101.76	203.52	508.80	1,017.60	10,176	4.11	10.35	10.35
MATURITY VALUE (7 years and 9 months from issue date) (3/1/72)	**26.09**	**52.18**	**78.27**	**104.36**	**208.72**	**521.80**	**1,043.60**	**10,436**	**4.31**		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1964, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 75

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1964, THROUGH MAY 1, 1965

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*	*Percent*
First ½ year [2](12/1/64)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (6/1/65)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	2.96	3.89
1 to 1½ years (12/1/65)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.44	4.36
1½ to 2 years (6/1/66)	19.52	39.04	58.56	78.08	156.16	390.40	780.80	7,808	2.70	4.10	4.43
2 to 2½ years (12/1/66)	19.92	39.84	59.76	79.68	159.36	398.40	796.80	7,968	3.05	3.92	4.46
2½ to 3 years (6/1/67)	20.31	40.62	60.93	81.24	162.48	406.20	812.40	8,124	3.22	3.94	4.51
3 to 3½ years (12/1/67)	20.71	41.42	62.13	82.84	165.68	414.20	828.40	8,284	3.34	4.25	4.57
3½ to 4 years (6/1/68)	21.15	42.30	63.45	84.60	169.20	423.00	846.00	8,460	3.47	4.35	4.71
4 to 4½ years (12/1/68)	21.61	43.22	64.83	86.44	172.88	432.20	864.40	8,644	3.58	4.63	4.76
4½ to 5 years (6/1/69)	22.11	44.22	66.33	88.44	176.88	442.20	884.40	8,844	3.70	4.61	5.00
5 to 5½ years (12/1/69)	22.62	45.24	67.86	90.48	180.96	452.40	904.80	9,048	3.79	4.69	5.07
5½ to 6 years (6/1/70)	23.15	46.30	69.45	92.60	185.20	463.00	926.00	9,260	3.87	4.84	5.66
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
6 to 6½ years (12/1/70)	23.71	47.42	71.13	94.84	189.68	474.20	948.40	9,484	3.95	4.81	5.90
6½ to 7 years (6/1/71)	24.28	48.56	72.84	97.12	194.24	485.60	971.20	9,712	4.02	5.02	6.34
7 to 7½ years (12/1/71)	24.89	49.78	74.67	99.56	199.12	497.80	995.60	9,956	4.09	5.06	7.22
7½ years to 7 years and 9 months (6/1/72)	25.52	51.04	76.56	102.08	204.16	510.40	1,020.80	10,208	4.15	11.61	11.61
MATURITY VALUE (7 years and 9 months from issue date) (9/1/72)	**26.25**	**52.50**	**78.75**	**105.00**	**210.00**	**525.00**	**1,050.00**	**10,500**	**4.39**		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1964, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 76

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1965

									Approximate investment yield (annual percentage rate)		
Issue price	**$18.75**	**$37.50**	**$56.25**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**			
Denomination	**25.00**	**50.00**	**75.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [1]	(3) From beginning of each half-year period [1] to beginning of next half-year period	(4) From beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*	*Percent*
First ½ year [2] (6/1/65)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	1.71	3.75
½ to 1 year (12/1/65)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	3.07	4.29
1 to 1½ years (6/1/66)	19.20	38.40	57.60	76.80	153.60	384.60	768.00	7,680	2.39	3.44	4.38
1½ to 2 years (12/1/66)	19.53	39.06	58.59	78.12	156.24	390.60	781.20	7,812	2.74	4.10	4.45
2 to 2½ years (6/1/67)	19.93	39.86	59.79	79.72	159.44	398.60	797.20	7,972	3.08	3.91	4.49
2½ to 3 years (12/1/67)	20.32	40.64	60.96	81.28	162.56	406.40	812.80	8,128	3.24	4.04	4.54
3 to 3½ years (6/1/68)	20.73	41.46	62.19	82.92	165.84	414.60	829.20	8,292	3.37	4.25	4.69
3½ to 4 years (12/1/68)	21.17	42.34	63.51	84.68	169.36	423.40	846.80	8,468	3.50	4.53	4.75
4 to 4½ years (6/1/69)	21.65	43.30	64.95	86.60	173.20	433.00	866.00	8,660	3.63	4.62	5.00
4½ to 5 years (12/1/69)	22.15	44.30	66.45	88.60	177.20	443.00	886.00	8,860	3.74	4.70	5.05
5 to 5½ years (6/1/70)	22.67	45.34	68.01	90.68	181.36	453.40	906.80	9,068	3.83	4.76	5.62
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
5½ to 6 years (12/1/70)	23.21	46.42	69.63	92.84	185.68	464.20	928.40	9,284	3.92	4.83	5.81
6 to 6½ years (6/1/71)	23.77	47.54	71.31	95.08	190.16	475.40	950.80	9,508	3.99	4.88	6.09
6½ to 7 years (12/1/71)	24.35	48.70	73.05	97.40	194.80	487.00	974.00	9,740	4.06	5.09	6.57
7 to 7½ years (6/1/72)	24.97	49.94	74.91	99.88	199.76	499.40	998.80	9,988	4.13	5.05	7.56
7½ years to 7 years and 9 months (12/1/72)	25.60	51.20	76.80	102.40	204.80	512.00	1,024.00	10,240	4.20	12.70	12.70
MATURITY VALUE (7 years and 9 months from issue date) (3/1/73)	**26.40**	**52.80**	**79.20**	**105.60**	**211.20**	**528.00**	**1,056.00**	**10,560**	**4.46**		

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1965, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 77

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1965, THROUGH MAY 1, 1966

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (12/1/65)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.15
½ to 1 year (6/1/66)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.30
1 to 1½ years (12/1/66)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	3.93	4.34
1½ to 2 years (6/1/67)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.06	4.38
2 to 2½ years (12/1/67)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.18	4.41
2½ to 3 years (6/1/68)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	4.29	4.55
3 to 3½ years (12/1/68)	20.96	41.92	62.88	83.84	167.68	419.20	838.40	8,384	3.75	4.39	4.58
3½ to 4 years (6/1/69)	21.42	42.84	64.26	85.68	171.36	428.40	856.80	8,568	3.84	4.48	5.00
4 to 4½ years (12/1/69)	21.90	43.80	65.70	87.60	175.20	438.00	876.00	8,760	3.92	4.47	5.08
4½ to 5 years (6/1/70)	22.39	44.78	67.17	89.56	179.12	447.80	895.60	8,956	3.98	4.73	5.72
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
5 to 5½ years (12/1/70)	22.92	45.84	68.76	91.68	183.36	458.40	916.80	9,168	4.06	4.71	5.97
5½ to 6 years (6/1/71)	23.46	46.92	70.38	93.84	187.68	469.20	938.40	9,384	4.12	5.03	6.39
6 to 6½ years (12/1/71)	24.05	48.10	72.15	96.20	192.40	481.00	962.00	9,620	4.19	5.07	7.07
6½ to 7 years (6/1/72)	24.66	49.32	73.98	98.64	197.28	493.20	986.40	9,864	4.26	9.08	9.08
MATURITY VALUE (7 years from issue date) (12/1/72)	**25.78**	**51.56**	**77.34**	**103.12**	**206.24**	**515.60**	**1,031.20**	**10,312**	**4.60**	----------	----------

[1] Month, day, and year on which issues of Dec. 1, 1965, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 78

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1966

Issue price	**$18.75**	**$37.50**	**$56.25**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield (annual percentage rate)		
Denomination	**25.00**	**50.00**	**75.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**			
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (6/1/66)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.15
½ to 1 year (12/1/66)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.30
1 to 1½ years (6/1/67)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	3.93	4.34
1½ to 2 years (12/1/67)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.06	4.38
2 to 2½ years (6/1/68)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.18	4.52
2½ to 3 years (12/1/68)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	4.29	4.55
3 to 3½ years (6/1/69)	20.96	41.92	62.88	83.84	167.68	419.20	838.40	8,384	3.75	4.48	5.00
3½ to 4 years (12/1/69)	21.43	42.86	64.29	85.72	171.44	428.60	857.20	8,572	3.85	4.48	5.08
4 to 4½ years (6/1/70)	21.91	43.82	65.73	87.64	175.28	438.20	876.40	8,764	3.93	4.66	5.68
Redemption values and investment yields to maturity on basis on June 1, 1970, revision											
4½ to 5 years (12/1/70)	22.42	44.84	67.26	89.68	179.36	448.40	896.80	8,968	4.01	4.73	5.89
5 to 5½ years (6/1/71)	22.95	45.90	68.85	91.80	183.60	459.00	918.00	9,180	4.08	4.88	6.18
5½ to 6 years (12/1/71)	23.51	47.02	70.53	94.04	188.08	470.20	940.40	9,404	4.16	5.02	6.61
6 to 6½ years (6/1/72)	24.10	48.20	72.30	96.40	192.80	482.00	964.00	9,640	4.23	5.15	7.41
6½ to 7 years (12/1/72)	24.72	49.44	74.16	98.88	197.76	494.40	988.80	9,888	4.30	9.71	9.71
MATURITY VALUE (7 years from issue date) (6/1/73)	**25.92**	**51.84**	**77.76**	**103.68**	**207.36**	**518.40**	**1,036.80**	**10,368**	**4.68**		

[1] Month, day, and year on which issues of June 1, 1966, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 79

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1966, THROUGH MAY 1, 1967

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (12/1/66)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.15
½ to 1 year (6/1/67)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.30
1 to 1½ years (12/1/67)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	3.93	4.34
1½ to 2 years (6/1/68)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.06	4.48
2 to 2½ years (12/1/68)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.18	4.53
2½ to 3 years (6/1/69)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	4.39	5.00
3 to 3½ years (12/1/69)	20.97	41.94	62.91	83.88	167.76	419.40	838.80	8,388	3.76	4.48	5.08
3½ to 4 years (6/1/70)	21.44	42.88	64.32	85.76	171.52	428.80	857.60	8,576	3.87	4.66	5.67
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
4 to 4½ years (12/1/70)	21.94	43.88	65.82	87.76	175.52	438.80	877.60	8,776	3.97	4.74	5.83
4½ to 5 years (6/1/71)	22.46	44.92	67.38	89.84	179.68	449.20	898.40	8,984	4.05	4.81	6.05
5 to 5½ years (12/1/71)	23.00	46.00	69.00	92.00	184.00	460.00	920.00	9,200	4.13	4.87	6.36
5½ to 6 years (6/1/72)	23.56	47.12	70.68	94.24	188.48	471.20	942.40	9,424	4.20	5.09	6.86
6 to 6½ years (12/1/72)	24.16	48.32	72.48	96.64	193.28	483.20	966.40	9,664	4.27	5.22	7.76
6½ to 7 years (6/1/73)	24.79	49.58	74.37	99.16	198.32	495.80	991.60	9,916	4.34	10.33	10.33
MATURITY VALUE (7 years from issue date) (12/1/73)	26.07	52.14	78.21	104.28	208.56	521.40	1,042.80	10,428	4.76		

[1] Month, day, and year on which issues of Dec. 1, 1966, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 80

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1967

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield (annual percentage rate)		
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (6/1/67)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.15
½ to 1 year (12/1/67)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.30
1 to 1½ years (6/1/68)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	3.93	4.44
1½ to 2 years (12/1/68)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.06	4.49
2 to 2½ years (6/1/69)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.28	5.00
2½ to 3 years (12/1/69)	20.53	41.06	61.59	82.12	164.24	410.60	821.20	8,212	3.66	4.38	5.08
3 to 3½ years (6/1/70)	20.98	41.96	62.94	83.92	167.84	419.60	839.20	8,392	3.78	4.58	5.67
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
3½ to 4 years (12/1/70)	21.46	42.92	64.38	85.84	171.68	429.20	858.40	8,584	3.89	4.75	5.83
4 to 4½ years (6/1/71)	21.97	43.94	65.91	87.88	175.76	439.40	878.80	8,788	4.00	4.82	6.01
4½ to 5 years (12/1/71)	22.50	45.00	67.50	90.00	180.00	450.00	900.00	9,000	4.09	4.89	6.25
5 to 5½ years (6/1/72)	23.05	46.10	69.15	92.20	184.40	461.00	922.00	9,220	4.17	4.95	6.59
5½ to 6 years (12/1/72)	23.62	47.24	70.86	94.48	188.96	472.40	944.80	9,448	4.24	5.17	7.14
6 to 6½ years (6/1/73)	24.23	48.46	72.69	96.92	193.84	484.60	969.20	9,692	4.32	5.37	8.13
6½ to 7 years (12/1/73)	24.88	49.76	74.64	99.52	199.04	497.60	995.20	9,952	4.40	10.93	10.93
MATURITY VALUE (7 years from issue date) (6/1/74)	**26.24**	**52.48**	**78.72**	**104.96**	**209.92**	**524.80**	**1,049.60**	**10,496**	**4.86**	-----	-----

[1] Month, day, and year on which issues of June 1, 1967, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 81

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1967, THROUGH MAY 1, 1968

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (12/1/67)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.15
½ to 1 year (6/1/68)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.40
1 to 1½ years (12/1/68)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	3.93	4.45
1½ to 2 years (6/1/69)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.16	5.00
2 to 2½ years (12/1/69)	20.11	40.22	60.33	80.44	160.88	402.20	804.40	8,044	3.53	4.28	5.09
2½ to 3 years (6/1/70)	20.54	41.08	61.62	82.16	164.32	410.80	821.60	8,216	3.68	4.48	5.68
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
3 to 3½ years (12/1/70)	21.00	42.00	63.00	84.00	168.00	420.00	840.00	8,400	3.81	4.76	5.83
3½ to 4 years (6/1/71)	21.50	43.00	64.50	86.00	172.00	430.00	860.00	8,600	3.95	4.74	5.99
4 to 4½ years (12/1/71)	22.01	44.02	66.03	88.04	176.08	440.20	880.40	8,804	4.05	4.91	6.19
4½ to 5 years (6/1/72)	22.55	45.10	67.65	90.20	180.40	451.00	902.00	9,020	4.14	4.97	6.45
5 to 5½ years (12/1/72)	23.11	46.22	69.33	92.44	184.88	462.20	924.40	9,244	4.23	5.11	6.83
5½ to 6 years (6/1/73)	23.70	47.40	71.10	94.80	189.60	474.00	948.00	9,480	4.31	5.23	7.40
6 to 6½ years (12/1/73)	24.32	48.64	72.96	97.28	194.56	486.40	972.80	9,728	4.38	5.35	8.50
6½ to 7 years (6/1/74)	24.97	49.94	74.91	99.88	199.76	499.40	998.80	9,988	4.46	11.69	11.69
MATURITY VALUE (7 years from issue date) (12/1/74)	**26.43**	**52.86**	**79.29**	**105.72**	**211.44**	**528.60**	**1,057.20**	**10,572**	4.96		

[1] Month, day, and year on which issues of Dec. 1, 1967, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period

TABLE 82

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1968

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield (annual percentage rate)		
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1](6/1/68)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.25
½ to 1 year (12/1/68)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.80	4.40
1 to 1½ years (6/1/69)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	4.04	5.00
1½ to 2 years (12/1/69)	19.71	39.42	59.13	78.84	157.68	394.20	788.40	7,884	3.36	4.16	5.09
2 to 2½ years (6/1/70)	20.12	40.24	60.36	80.48	160.96	402.40	804.80	8,048	3.56	4.37	5.68
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
2½ to 3 years (12/1/70)	20.56	41.12	61.68	82.24	164.48	411.20	822.40	8,224	3.72	4.57	5.82
3 to 3½ years (6/1/71)	21.03	42.06	63.09	84.12	168.24	420.60	841.20	8,412	3.86	4.85	5.98
3½ to 4 years (12/1/71)	21.54	43.08	64.62	86.16	172.32	430.80	861.60	8,616	4.00	4.92	6.14
4 to 4½ years (6/1/72)	22.07	44.14	66.21	88.28	176.56	441.40	882.80	8,828	4.12	4.98	6.35
4½ to 5 years (12/1/72)	22.62	45.24	67.86	90.48	180.96	452.40	904.80	9,048	4.21	5.04	6.62
5 to 5½ years (6/1/73)	23.19	46.38	69.57	92.76	185.52	463.80	927.60	9,276	4.30	5.17	7.02
5½ to 6 years (12/1/73)	23.79	47.58	71.37	95.16	190.32	475.80	951.60	9,516	4.38	5.30	7.64
6 to 6½ years (6/1/74)	24.42	48.84	73.26	97.68	195.36	488.40	976.80	9,768	4.45	5.49	8.81
6½ to 7 years (12/1/74)	25.09	50.18	75.27	100.36	200.72	501.80	1,003.60	10,036	4.53	12.20	12.20
MATURITY VALUE (7 years from issue date) (6/1/75)	**26.62**	**53.24**	**79.86**	**106.48**	**212.96**	**532.40**	**1,064.80**	**10,648**	**5.07**		

[1] Month, day and year on which issues of June 1, 1968, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

439-865 O - 71 - 19

TABLE 83

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1968 THROUGH MAY 1, 1969

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to maturity [2]
									Percent	*Percent*	*Percent*
First ½ year [1] (12/1/68)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	2.24	4.25
½ to 1 year (6/1/69)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	3.90	5.00
1 to 1½ years (12/1/69)	19.33	38.66	57.99	77.32	154.64	386.60	773.20	7,732	3.07	4.04	5.09
1½ to 2 years (6/1/70)	19.72	39.44	59.16	78.88	157.76	394.40	788.80	7,888	3.39	4.26	5.69
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
2 to 2½ years (12/1/70)	20.14	40.28	60.42	80.56	161.12	402.80	805.60	8,056	3.61	4.47	5.83
2½ to 3 years (6/1/71)	20.59	41.18	61.77	82.36	164.72	411.80	823.60	8,236	3.78	4.76	5.99
3 to 3½ years (12/1/71)	21.08	42.16	63.24	84.32	168.64	421.60	843.20	8,432	3.94	4.84	6.14
3½ to 4 years (6/1/72)	21.59	43.18	64.77	86.36	172.72	431.80	863.60	8,636	4.07	5.00	6.33
4 to 4½ years (12/1/72)	22.13	44.26	66.39	88.52	177.04	442.60	885.20	8,852	4.19	5.15	6.55
4½ to 5 years (6/1/73)	22.70	45.40	68.10	90.80	181.60	454.00	908.00	9,080	4.29	5.11	6.83
5 to 5½ years (12/1/73)	23.28	46.56	69.84	93.12	186.24	465.60	931.20	9,312	4.38	5.24	7.26
5½ to 6 years (6/1/74)	23.89	47.78	71.67	95.56	191.12	477.80	955.60	9,556	4.45	5.44	7.94
6 to 6½ years (12/1/74)	24.54	49.08	73.62	98.16	196.32	490.80	981.60	9,816	4.54	5.62	9.20
6½ to 7 years (6/1/75)	25.23	50.46	75.69	100.92	201.84	504.60	1,009.20	10,092	4.62	12.84	12.84
MATURITY VALUE (7 years from issue date) (12/1/75)	**26.85**	**53.70**	**80.55**	**107.40**	**214.80**	**537.00**	**1,074.00**	**10,740**	**5.20**		

[1] Month, day and year on which issues of Dec. 1, 1968 enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 84

BONDS BEARING ISSUE DATES FROM JUNE 1, 1969 THROUGH NOVEMBER 1, 1969

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period after issue date	(1) Redemption values during each half-year period[1] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period[1]	(3) From beginning of each half-year period[1] to beginning of next half-year period	(4) From beginning of each half-year period[1] to maturity[3]
									Percent	*Percent*	*Percent*
First ½ year[2] (6/1/69)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.20	5.00
½ to 1 year (12/1/69)	19.05	38.10	57.15	76.20	152.40	381.00	762.00	7,620	3.20	4.83	5.17
1 to 1½ years (6/1/70)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	4.01	4.51	5.71
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
1½ to 2 years (12/1/70)	19.95	39.90	59.85	79.80	159.60	399.00	798.00	7,980	4.18	4.51	5.85
2 to 2½ years (6/1/71)	20.40	40.80	61.20	81.60	163.20	408.00	816.00	8,160	4.26	4.71	6.02
2½ to 3 years (12/1/71)	20.88	41.76	62.64	83.52	167.04	417.60	835.20	8,352	4.35	4.89	6.22
3 to 3½ years (6/1/72)	21.39	42.78	64.17	85.56	171.12	427.80	855.60	8,556	4.44	5.05	6.46
3½ to 4 years (12/1/72)	21.93	43.86	65.79	87.72	175.44	438.60	877.20	8,772	4.53	5.47	6.76
4 to 4½ years (6/1/73)	22.53	45.06	67.59	90.12	180.24	450.60	901.20	9,012	4.64	5.59	7.11
4½ to 5 years (12/1/73)	23.16	46.32	69.48	92.64	185.28	463.20	926.40	9,264	4.75	5.70	7.69
5 to 5½ years (6/1/74)	23.82	47.64	71.46	95.28	190.56	476.40	952.80	9,528	4.84	5.79	8.89
5½ years to 5 years and 10 months (12/1/74)	24.51	49.02	73.53	98.04	196.08	490.20	980.40	9,804	4.93	13.61	13.61
MATURITY VALUE (5 years and 10 months from issue date) (4/1/75)	**25.61**	**51.22**	**76.83**	**102.44**	**204.88**	**512.20**	**1,024.40**	**10,244**	**5.42**	...	...

[1] 4-month period in the case of the 5½-year to 5-year and 10-month period.
[2] Month, day, and year on which issues of June 1, 1969, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 85

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1969 THROUGH MAY 1, 1970

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000 [1]			
Period after issue date	(1) Redemption values during each half-year period [2] (values increase on first day of period shown)								(2) From issue date to beginning of each half-year period [2]	(3) From beginning of each half-year period [2] to beginning of next half-year period	(4) From beginning of each half-year period [2] to maturity [4]
									Percent	*Percent*	*Percent*
First ½ year [3] (12/1/69)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.20	5.00
½ to 1 year (6/1/70)	19.05	38.10	57.15	76.20	152.40	381.00	762.00	7,620	3.20	4.83	5.67
Redemption values and investment yields to maturity on basis of June 1, 1970, revision											
1 to 1½ years (12/1/70)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	4.01	4.51	5.76
1½ to 2 years (6/1/71)	19.95	39.90	59.85	79.80	159.60	399.00	798.00	7,980	4.18	4.51	5.90
2 to 2½ years (12/1/71)	20.40	40.80	61.20	81.60	163.20	408.00	816.00	8,160	4.26	4.71	6.00
2½ to 3 years (6/1/72)	20.88	41.76	62.64	83.52	167.04	417.60	835.20	8,352	4.35	4.89	6.29
3 to 3½ years (12/1/72)	21.39	42.78	64.17	85.56	171.12	427.80	855.60	8,556	4.44	5.05	6.54
3½ to 4 years (6/1/73)	21.93	43.86	65.79	87.72	175.44	438.60	877.20	8,772	4.53	5.47	6.86
4 to 4½ years (12/1/73)	22.53	45.06	67.59	90.12	180.24	450.60	901.20	9,012	4.64	5.59	7.24
4½ to 5 years (6/1/74)	23.16	46.32	69.48	92.64	185.28	463.20	926.40	9,264	4.75	5.70	7.87
5 to 5½ years (12/1/74)	23.82	47.64	71.46	95.28	190.56	476.40	952.80	9,528	4.84	5.79	9.18
5½ years to 5 years and 10 months (6/1/75)	24.51	49.02	73.53	98.04	196.08	490.20	980.40	9,804	4.93	14.36	14.36
MATURITY VALUE (5 years and 10 months from issue date) (10/1/75)	25.67	51.34	77.01	102.68	205.36	513.40	1,026.80	10,268	5.46		

[1] Available only to trustees of employees' savings and savings and vacation plans.
[2] 4-month period in the case of the 5½-year to 5-year and 10-month period.
[3] Month, day, and year on which issues of December 1, 1969, enter each period. For subsequent issue months add the appropriate number of months.
[4] Based on maturity value in effect on the beginning date of the half-year period.

APPENDIX

Summary of investment yields during maturity, extended maturity and second extended maturity periods under regulations prescribed for Series E savings bonds with issue dates from May 1, 1941.

Issues	Term to maturity (years and months)	Yield* during maturity period	Yield* during extended maturity period (10 years)	Yield* during second extended maturity period (10 years)
5/41- 4/42	10- 0	2.90	2.90, +0.60	3.75e, +0.40, +0.10b, 5.00, +0.50e
5/42-11/45	10- 0	2.90	3.00e, +0.50	3.75e, +0.40, +0.10b, 5.00, +0.50e
12/45- 5/48	10- 0	2.90	3.00e, +0.50	4.15e, +0.10b, 5.00, +0.50e
6/48- 5/49	10- 0	2.90	3.00e, +0.50	4.25b, 5.00, +0.50e
6/49-11/49	10- 0	2.90	3.75, +0.40, +0.10b	5.00e, +0.50e
12/49- 5/50	10- 0	2.90, +0.60	3.75, +0.40, +0.10b, 5.00	5.00e, +0.50e
6/50-11/50	10- 0	2.90, +0.60	3.75, +0.40, +0.10b, 5.00	5.50e
12/50-12/51	10- 0	2.90, +0.60	3.75, +0.40, +0.10b, 5.00, +0.50e	5.50e
1/52- 4/52	10- 0	2.90, +0.60	3.75, +0.40, +0.10b, 5.00, +0.50e	
5/52- 3/56	9- 8	3.00, +0.50	3.75, +0.40, +0.10b, 5.00, +0.50e	
4/56-11/56	9- 8	3.00, +0.50	4.15e, +0.10b, 5.00, +0.50e	
12/56- 1/57	9- 8	3.00, +0.50, +0.40	4.15e, +0.10b, 5.00, +0.50e	
2/57- 5/57	8-11	3.25, +0.50	4.15e, +0.10b, 5.00, +0.50e	
6/57- 5/59	8-11	3.25, +0.50, +0.40	4.15e, +0.10b, 5.00, +0.50e	
6/59- 5/60	7- 9	3.75, +0.40	4.15e, +0.10b, 5.00, +0.50e	
6/60- 5/61	7- 9	3.75, +0.40	4.25b, 5.00, +0.50e	
6/61- 8/61	7- 9	3.75, +0.40, +0.10b	4.25b, 5.00, +0.50e	
9/61- 8/62	7- 9	3.75, +0.40, +0.10b	5.00e, +0.50e	
9/62- 5/63	7- 9	3.75, +0.40, +0.10b, 5.00	5.50e	
6/63- 3/64	7- 9	3.75, +0.40, +0.10b, 5.00, +0.50b	5.50e	
4/64-11/65	7- 9	3.75, +0.40, +0.10b, 5.00, +0.50b		
12/65- 5/68	7- 0	4.15, +0.10b, 5.00, +0.50b		
6/68- 5/69	7- 0	4.25b, 5.00, +0.50b		
6/69- 5/70	5-10	5.00, +0.50b		
6/70	5-10	5.50b		

*All yields are in terms of percent per annum, compounded semiannually. The first figure in each maturity period is the overall yield for that period at time of entry into the period. The crediting of accruals is on a graduated basis unless otherwise indicated, the full rate being credited only upon holding to the end of the period (lesser credit if redeemed earlier). An "e" indicates accrual on an approximately level basis. A "b" indicates increased accrual on a bonus basis; that is, the full rate is credited only if the bond is held to the end of the period (no increase if redeemed earlier). Rate increases within periods took effect at the beginning of the first full half-year interest accrual period starting on or after the effective date as follows:

0.60 and 0.50—graduated improvements in the rate to next maturity beginning June 1, 1959.

0.40—graduated improvement in the rate to next maturity beginning December 1, 1965.

0.10b—bonus improvement in the rate to next maturity beginning June 1, 1968, which took effect as early as March 1, 1968 in some cases, but did not apply to the first accrual period if it was less than a half-year.

5.00—maximum rate to next maturity beginning June 1, 1969.

0.50b and 0.50e—bonus and level improvements in the rate to next maturity beginning June 1, 1970.

Exhibit 4.—Department Circular No. 905, December 12, 1969, Fifth Revision, Amendment No. 1, offering of United States savings bonds, Series H

PART 332—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES H

Miscellaneous Amendments

Sections 332.1, 332.2, and 332.8 of Department of the Treasury Circular No. 905, Fifth Revision, dated December 12, 1969, the tables incorporated therein and the Appendix (31 CFR Part 332), have been amended and revised to read as follows:

§ 332.1 Offering of bonds.

The Secretary of the Treasury hereby offers for sale to the people of the United States, U.S. Savings Bonds of Series H, hereinafter generally referred to as "Series H bonds" or "bonds." This offer, effective as of June 1, 1970, will continue until terminated by the Secretary of the Treasury.

§ 332.2 Description of bonds.

* * * * * * *

(e) *Interest (investment yield)*. The interest on a Series H bond will be paid semiannually by check drawn to the order of the registered owner or coowners, beginning 6 months from issue date. Interest payments will be on a graduated scale, fixed to produce an investment yield of approximately 5½ percent per annum, compounded semiannually, if the bond is held to maturity but the yield will be less if the bond is redeemed prior thereto. See Table 1. Interest will cease at maturity, or at the end of the extension period for bonds for which an extension has been granted, or if redeemed before maturity, at the end of the interest period next preceding the date of redemption. However, if the date of redemption falls on an interest payment date, interest will cease on that date.

(f) *Outstanding bonds with issue dates June 1, 1970, or thereafter.* Outstanding Series H bonds with issue dates of June 1, 1970, or thereafter, are deemed to be Series H bonds issued under the terms of this amendment and the interest provided for in paragraph (e) of this section is applicable to such bonds. Stock for Series H bonds on sale prior to June 1, 1970, will be used until such time as new stock is printed and supplied to issuing agents. Such bonds have the new interest rate as fully as if expressly set forth in the text of the bonds. It will be unnecessary for owners to exchange bonds issued on old stock for bonds on new stock as the Department of the Treasury will issue interest checks for the appropriate amounts, as set forth in Table 1. However, when the new stock becomes available, issuance thereon may be obtained by presentation for that purpose of bonds issued on old stock to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Securities Division, Washington, D.C. 20220.

§ 332.8 Extended term and improved yields for outstanding bonds.

* * * * * * *

(b) *Improved yields*[8]—(1) *Outstanding bonds.* The investment yield on all outstanding Series H bonds is hereby increased as follows:

(i) *Bonds reaching maturity in 5 years or less from June 1, 1970.* ½ of 1 percent per annum, compounded semiannually, for the remaining period to the maturity date. The increase will be included in the interest checks issued on or after December 1, 1970.

[8] See Appendix for summary of investment yields to the maturity and extended maturity dates under regulations heretofore and herein prescribed.

(ii) *Bonds reaching maturity in more than 5 years from June 1, 1970.* ½ of 1 percent per annum, compounded semiannually, for the remaining period to the maturity date and beginning with the first interest check after the fifth anniversary of the issue date.

(iii) *Bonds in extended maturity period.* ½ of 1 percent per annum, compounded semiannually, for the remaining period to the extended maturity date. The increase will be included in the interest checks issued on or after December 1, 1970.

(iv) *Bonds entering extended maturity period between June 1, 1970, and December 1, 1971, inclusive.* To 5½ percent per annum, compounded semiannually, for the extended maturity period.

(2) *Presently authorized extensions.* The investment yield for any presently authorized extension period for which tables of checks and investment yields are not announced and published herein will be at the rate in effect for Series H bonds currently issued on the maturity date.

* * * * * * *

The foregoing amendments, adopted on September 22, 1970, were effected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c) and 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: September 22, 1970.

[SEAL]

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

TABLES OF CHECKS ISSUED AND INVESTMENT YIELDS FOR U.S. SAVINGS BONDS OF SERIES H

Each table shows: (1) The amounts of interest check payments during the current maturity period and during any authorized subsequent maturity period, on bonds bearing issue dates covered by the table; (2) for each maturity period shown, the approximate investment yield on the face value from the beginning of such maturity period to each subsequent interest payment date; (3) the approximate investment yield on the face value for each half-year period preceding interest payment date; and (4) the approximate investment yield on the face value from each interest payment date to next maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

TABLE 1

BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1970

Face value				Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000			
Redemption value [1]	500	1,000	5,000			
Maturity value	500	1,000	5,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination			(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity
				Percent	*Percent*	*Percent*
½ year	$9.25	$18.50	$92.50	3.70	3.70	5.62
1 year	13.25	26.50	132.50	4.49	5.30	5.65
1½ years	13.25	26.50	132.50	4.75	5.30	5.67
2 years	13.25	26.50	132.50	4.89	5.30	5.70
2½ years	13.25	26.50	132.50	4.96	5.30	5.73
3 years	13.25	26.50	132.50	5.02	5.30	5.77
3½ years	13.25	26.50	132.50	5.05	5.30	5.81
4 years	13.25	26.50	132.50	5.08	5.30	5.87
4½ years	13.25	26.50	132.50	5.10	5.30	5.93
5 years	13.25	26.50	132.50	5.12	5.30	6.00
5½ years	15.00	30.00	150.00	5.19	6.00	6.00
6 years	15.00	30.00	150.00	5.25	6.00	6.00
6½ years	15.00	30.00	150.00	5.30	6.00	6.00
7 years	15.00	30.00	150.00	5.34	6.00	6.00
7½ years	15.00	30.00	150.00	5.38	6.00	6.00
8 years	15.00	30.00	150.00	5.41	6.00	6.00
8½ years	15.00	30.00	150.00	5.43	6.00	6.00
9 years	15.00	30.00	150.00	5.46	6.00	6.00
9½ years	15.00	30.00	150.00	5.48	6.00	6.00
10 years (maturity)	15.00	30.00	150.00	5.50	6.00	----

[1] At all times, except that bond is not redeemable during first 6 months.

TABLE 3

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1952 THROUGH MARCH 1, 1953

Face value {Issue price / Redemption and maturity value}	$500 500	$1,000 1,000	$5,000 5,000	$10,000 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (12/1/62)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (6/1/63)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (12/1/63)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2 years (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2½ years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
3 years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
3½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
4 years (6/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.18
4½ years (12/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.22
5 years (6/1/67)	9.55	19.10	95.50	191.00	3.77	3.82	4.26
5½ years (12/1/67)	10.05	20.10	100.50	201.00	3.79	4.02	4.29
6 years (6/1/68)	10.05	20.10	100.50	201.00	3.81	4.02	4.43
6½ years (12/1/68)	10.05	20.10	100.50	201.00	3.82	4.02	4.50
7 years (6/1/69)	10.60	21.20	106.00	212.00	3.85	4.24	5.00
7½ years (12/1/69)	10.80	21.60	108.00	216.00	3.88	4.32	5.14
8 years (6/1/70)	11.20	22.40	112.00	224.00	3.91	4.48	5.82
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
8½ years (12/1/70)	12.80	25.60	128.00	256.00	3.97	5.12	6.06
9 years (6/1/71)	14.05	28.10	140.50	281.00	4.04	5.62	6.29
9½ years (12/1/71)	14.45	28.90	144.50	289.00	4.12	5.78	6.82
10 years (extended maturity) [3] (6/1/72)	17.05	34.10	170.50	341.00	[4] 4.23	6.82	----

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1952. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1952 is 3.59 percent; Dec. 1, 1952 through Mar. 1, 1953 is 3.60 percent.

TABLE 2

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1952

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
	EXTENDED MATURITY PERIOD						
					Percent	*Percent*	*Percent*
½ year [1](8/1/62)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (2/1/63)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (8/1/63)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2 years (2/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2½ years (8/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
3 years (2/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
3½ years (8/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
4 years (2/1/66)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
4½ years (8/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.19
5 years (2/1/67)	9.55	19.10	95.50	191.00	3.76	3.82	4.23
5½ years (8/1/67)	9.55	19.10	95.50	191.00	3.77	3.82	4.28
6 years (2/1/68)	10.15	20.30	101.50	203.00	3.79	4.06	4.31
6½ years (8/1/68)	10.15	20.30	101.50	203.00	3.81	4.06	4.44
7 years (2/1/69)	10.15	20.30	101.50	203.00	3.82	4.06	4.51
7½ years (8/1/69)	10.60	21.20	106.00	212.00	3.85	4.24	5.00
8 years (2/1/70)	10.80	21.60	108.00	216.00	3.87	4.32	5.18
8½ years (8/1/70)	11.25	22.50	112.50	225.00	3.90	4.50	5.92
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
9 years (2/1/71)	13.75	27.50	137.50	275.00	3.98	5.50	6.14
9½ years (8/1/71)	14.20	28.40	142.00	284.00	4.05	5.68	6.62
10 years (extended maturity) [3] (2/1/72)	**16.55**	**33.10**	**165.50**	331.00	[4] 4.16	6.62	----

[1] Month, day, and year on which interest check is payable on issues of June 1, 1952. For subsequent issue months add the appropriate number of months.

[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

[3] 19 years and 8 months after issue date.

[4] Yield on purchase price from issue date to extended maturity is 3.56 percent.

TABLE 4

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1953

Face value					
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)
Redemption and maturity value	500	1,000	5,000	10,000	

Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (6/1/63)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (12/1/63)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2 years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2½ years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
3 years (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
3½ years (6/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.18
4 years (12/1/66)	9.55	19.10	95.50	191.00	3.77	3.82	4.21
4½ years (6/1/67)	9.55	19.10	95.50	191.00	3.77	3.82	4.26
5 years (12/1/67)	10.00	20.00	100.00	200.00	3.79	4.00	4.28
5½ years (6/1/68)	10.00	20.00	100.00	200.00	3.81	4.00	4.42
6 years (12/1/68)	10.00	20.00	100.00	200.00	3.82	4.00	4.48
6½ years (6/1/69)	10.50	21.00	105.00	210.00	3.85	4.20	5.00
7 years (12/1/69)	10.65	21.30	106.50	213.00	3.88	4.26	5.13
7½ years (6/1/70)	11.00	22.00	110.00	220.00	3.91	4.40	5.79
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
8 years (12/1/70)	12.61	25.22	126.10	252.20	3.97	5.04	5.99
8½ years (6/1/71)	13.86	27.72	138.60	277.20	4.05	5.54	6.14
9 years (12/1/71)	14.21	28.42	142.10	284.20	4.12	5.68	6.39
9½ years (6/1/72)	14.56	29.12	145.60	291.20	4.19	5.82	6.96
10 years (extended maturity) [3] (12/1/72)	**17.41**	**34.82**	**174.10**	**348.20**	**[4] 4.30**	**6.96**	----

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1953. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1953 is 3.63 percent; June 1 through Sept. 1, 1953 is 3.64 percent.

TABLE 5

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1953 THROUGH MARCH 1, 1954

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (12/1/63)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2 years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
3 years (6/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.18
3½ years (12/1/66)	9.55	19.10	95.50	191.00	3.77	3.82	4.21
4 years (6/1/67)	9.55	19.10	95.50	191.00	3.78	3.82	4.25
4½ years (12/1/67)	9.95	19.90	99.50	199.00	3.80	3.98	4.27
5 years (6/1/68)	9.95	19.90	99.50	199.00	3.81	3.98	4.41
5½ years (12/1/68)	9.95	19.90	99.50	199.00	3.83	3.98	4.46
6 years (6/1/69)	10.45	20.90	104.50	209.00	3.85	4.18	5.00
6½ years (12/1/69)	10.60	21.20	106.00	212.00	3.88	4.24	5.12
7 years (6/1/70)	10.90	21.80	109.00	218.00	3.91	4.36	5.76
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
7½ years (12/1/70)	12.51	25.02	125.10	250.20	3.97	5.00	5.92
8 years (6/1/71)	12.81	25.62	128.10	256.20	4.03	5.12	6.13
8½ years (12/1/71)	14.16	28.32	141.60	283.20	4.11	5.66	6.30
9 years (6/1/72)	14.51	29.02	145.10	290.20	4.19	5.80	6.55
9½ years (12/1/72)	14.81	29.62	148.10	296.20	4.27	5.92	7.20
10 years (extended maturity) [3] (6/1/73)	18.01	36.02	180.10	360.20	[4] 4.38	7.20	----

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1953. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1953 is 3.68 percent; Dec. 1, 1953 through Mar. 1, 1954 is 3.69 percent.

TABLE 6

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1954

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1](6/1/64)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
2 years (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
2½ years (6/1/66)	9.55	19.10	95.50	191.00	3.76	3.82	4.18
3 years (12/1/66)	9.55	19.10	95.50	191.00	3.77	3.82	4.20
3½ years (6/1/67)	9.55	19.10	95.50	191.00	3.78	3.82	4.24
4 years (12/1/67)	9.55	19.10	95.50	191.00	3.78	3.82	4.28
4½ years (6/1/68)	10.15	20.30	101.50	203.00	3.81	4.06	4.40
5 years (12/1/68)	10.15	20.30	101.50	203.00	3.83	4.06	4.44
5½ years (6/1/69)	10.15	20.30	101.50	203.00	3.85	4.06	5.00
6 years (12/1/69)	10.30	20.60	103.00	206.00	3.87	4.12	5.12
6½ years (6/1/70)	11.05	22.10	110.50	221.00	3.91	4.42	5.73
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
7 years (12/1/70)	12.56	25.12	125.60	251.20	3.98	5.02	5.86
7½ years (6/1/71)	12.86	25.72	128.60	257.20	4.05	5.14	6.02
8 years (12/1/71)	13.16	26.32	131.60	263.20	4.11	5.26	6.22
8½ years (6/1/72)	14.36	28.72	143.60	287.20	4.19	5.74	6.39
9 years (12/1/72)	14.66	29.32	146.60	293.20	4.27	5.86	6.66
9½ years (6/1/73)	14.96	29.92	149.60	299.20	4.34	5.98	7.36
10 years (extended maturity) [3] (12/1/73)	**18.41**	**36.82**	**184.10**	**368.20**	**[4] 4.46**	**7.36**	----

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1954. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1954 is 3.72 percent; June 1, through Sept. 1, 1954 is 3.74 percent.

TABLE 7

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1954 THROUGH MARCH 1, 1955

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (12/1/64)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	3.75
1½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
2 years (6/1/66)	9.55	19.10	95.50	191.00	3.77	3.82	4.17
2½ years (12/1/66)	9.55	19.10	95.50	191.00	3.78	3.82	4.20
3 years (6/1/67)	9.55	19.10	95.50	191.00	3.78	3.82	4.23
3½ years (12/1/67)	9.55	19.10	95.50	191.00	3.79	3.82	4.27
4 years (6/1/68)	10.10	20.20	101.00	202.00	3.82	4.04	4.39
4½ years (12/1/68)	10.10	20.20	101.00	202.00	3.84	4.04	4.43
5 years (6/1/69)	10.10	20.20	101.00	202.00	3.86	4.04	5.00
5½ years (12/1/69)	10.25	20.50	102.50	205.00	3.88	4.10	5.11
6 years (6/1/70)	10.95	21.90	109.50	219.00	3.92	4.38	5.72
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
6½ years (12/1/70)	12.46	24.92	124.60	249.20	3.99	4.98	5.83
7 years (6/1/71)	12.76	25.52	127.60	255.20	4.06	5.10	5.97
7½ years (12/1/71)	13.01	26.02	130.10	260.20	4.12	5.20	6.13
8 years (6/1/72)	13.31	26.62	133.10	266.20	4.19	5.32	6.35
8½ years (12/1/72)	14.61	29.22	146.10	292.20	4.27	5.84	6.53
9 years (6/1/73)	14.91	29.82	149.10	298.20	4.35	5.96	6.82
9½ years (12/1/73)	15.21	30.42	152.10	304.20	4.42	6.08	7.58
10 years (extended maturity) [3] (6/1/74)	18.96	37.92	189.60	379.20	[4] 4.54	7.58	----

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1954. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1954 is 3.77 percent; Dec. 1, 1954 through Mar. 1, 1955 is 3.78 percent.

TABLE 8

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1955

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (6/1/65)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	3.75
1 year (12/1/65)	9.37	18.75	93.75	187.50	3.75	3.75	4.15
1½ years (6/1/66)	9.55	19.10	95.50	191.00	3.77	3.82	4.18
2 years (12/1/66)	9.55	19.10	95.50	191.00	3.78	3.82	4.20
2½ years (6/1/67)	9.55	19.10	95.50	191.00	3.79	3.82	4.23
3 years (12/1/67)	9.55	19.10	95.50	191.00	3.80	3.82	4.27
3½ years (6/1/68)	10.05	20.10	100.50	201.00	3.83	4.02	4.30
4 years (12/1/68)	10.05	20.10	100.50	201.00	3.85	4.02	4.42
4½ years (6/1/69)	10.05	20.10	100.50	201.00	3.87	4.02	5.00
5 years (12/1/69)	10.15	20.30	101.50	203.00	3.88	4.06	5.10
5½ years (6/1/70)	10.40	20.80	104.00	208.00	3.91	4.16	5.72
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
6 years (12/1/70)	12.56	25.12	125.60	251.20	3.99	5.02	5.82
6½ years (6/1/71)	12.81	25.62	128.10	256.20	4.07	5.12	5.93
7 years (12/1/71)	13.11	26.22	131.10	262.20	4.14	5.24	6.06
7½ years (6/1/72)	13.36	26.72	133.60	267.20	4.21	5.34	6.21
8 years (12/1/72)	13.61	27.22	136.10	272.20	4.27	5.44	6.42
8½ years (6/1/73)	14.71	29.42	147.10	294.20	4.35	5.88	6.61
9 years (12/1/73)	15.01	30.02	150.10	300.20	4.43	6.00	6.92
9½ years (6/1/74)	15.31	30.62	153.10	306.20	4.50	6.12	7.74
10 years (extended maturity) [3] (12/1/74)	**19.36**	**38.72**	**193.60**	**387.20**	**[4] 4.62**	**7.74**	----

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1955. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1955 is 3.81 percent; June 1 through Sept. 1, 1955 is 3.83 percent.

TABLE 9

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1955 THROUGH MARCH 1, 1956

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (12/1/65)	$9.37	$18.75	$93.75	$187.50	3.75	3.75	4.15
1 year (6/1/66)	9.55	19.10	95.50	191.00	3.78	3.82	4.17
1½ years (12/1/66)	9.55	19.10	95.50	191.00	3.80	3.82	4.20
2 years (6/1/67)	9.55	19.10	95.50	191.00	3.80	3.82	4.23
2½ years (12/1/67)	9.55	19.10	95.50	191.00	3.81	3.82	4.26
3 years (6/1/68)	10.00	20.00	100.00	200.00	3.84	4.00	4.38
3½ years (12/1/68)	10.00	20.00	100.00	200.00	3.86	4.00	4.42
4 years (6/1/69)	10.00	20.00	100.00	200.00	3.87	4.00	5.00
4½ years (12/1/69)	10.10	20.20	101.00	202.00	3.89	4.04	5.10
5 years (6/1/70)	10.35	20.70	103.50	207.00	3.91	4.14	5.71
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
5½ years (12/1/70)	12.51	25.02	125.10	250.20	4.00	5.00	5.80
6 years (6/1/71)	12.71	25.42	127.10	254.20	4.08	5.08	5.90
6½ years (12/1/71)	12.96	25.92	129.60	259.20	4.16	5.18	6.01
7 years (6/1/72)	13.21	26.42	132.10	264.20	4.23	5.28	6.15
7½ years (12/1/72)	13.46	26.92	134.60	269.20	4.29	5.38	6.31
8 years (6/1/73)	14.51	29.02	145.10	290.20	4.37	5.80	6.45
8½ years (12/1/73)	14.76	29.52	147.60	295.20	4.45	5.90	6.64
9 years (6/1/74)	15.01	30.02	150.10	300.20	4.52	6.00	6.98
9½ years (12/1/74)	15.26	30.52	152.60	305.20	4.58	6.10	7.88
10 years (extended maturity) [3] (6/1/75)	19.71	39.42	197.10	394.20	[4] 4.71	7.88	----

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1955. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1955 is 3.87 percent; Dec. 1, 1955 through Mar. 1, 1956 is 3.89 percent.

TABLE 10

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1956

Face value							
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)		
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (6/1/66)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.15
1 year (12/1/66)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
1½ years (6/1/67)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
2 years (12/1/67)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
2½ years (6/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.25
3 years (12/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.26
3½ years (6/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
4 years (12/1/69)	10.50	21.00	105.00	210.00	4.16	4.20	5.08
4½ years (6/1/70)	10.80	21.60	108.00	216.00	4.17	4.32	5.66
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
5 years (12/1/70)	12.37	24.74	123.70	247.40	4.24	4.95	5.74
5½ years (6/1/71)	12.67	25.34	126.70	253.40	4.31	5.07	5.83
6 years (12/1/71)	12.92	25.84	129.20	258.40	4.37	5.17	5.92
6½ years (6/1/72)	13.22	26.44	132.20	264.40	4.43	5.29	6.02
7 years (12/1/72)	13.57	27.14	135.70	271.40	4.50	5.43	6.13
7½ years (6/1/73)	13.87	27.74	138.70	277.40	4.55	5.55	6.25
8 years (12/1/73)	14.17	28.34	141.70	283.40	4.61	5.67	6.41
8½ years (6/1/74)	14.47	28.94	144.70	289.40	4.67	5.79	6.63
9 years (12/1/74)	14.82	29.64	148.20	296.40	4.72	5.93	7.00
9½ years (6/1/75)	15.12	30.24	151.20	302.40	4.78	6.05	7.99
10 years (extended maturity) [3] (12/1/75)	**19.97**	**39.94**	**199.70**	**399.40**	**[4] 4.90**	**7.99**	----

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1956. For issues of May 1, 1956 add 1 month.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1956 is 3.96 percent; June 1 through Sept. 1, 1956 is 3.98 percent.

TABLE 11

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1956 THROUGH JANUARY 1, 1957

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (12/1/66)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.15
1 year (6/1/67)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
1½ years (12/1/67)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
2 years (6/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.25
2½ years (12/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.26
3 years (6/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
3½ years (12/1/69)	10.50	21.00	105.00	210.00	4.16	4.20	5.07
4 years (6/1/70)	10.75	21.50	107.50	215.00	4.17	4.30	5.64
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
4½ years (12/1/70)	12.31	24.62	123.10	246.20	4.25	4.92	5.72
5 years (6/1/71)	12.56	25.12	125.60	251.20	4.32	5.02	5.80
5½ years (12/1/71)	12.86	25.72	128.60	257.20	4.39	5.14	5.88
6 years (6/1/72)	13.11	26.22	131.10	262.20	4.45	5.24	5.97
6½ years (12/1/72)	13.41	26.82	134.10	268.20	4.51	5.36	6.07
7 years (6/1/73)	13.71	27.42	137.10	274.20	4.57	5.48	6.18
7½ years (12/1/73)	13.96	27.92	139.60	279.20	4.63	5.58	6.31
8 years (6/1/74)	14.26	28.52	142.60	285.20	4.68	5.70	6.47
8½ years (12/1/74)	14.56	29.12	145.60	291.20	4.74	5.82	6.70
9 years (6/1/75)	14.86	29.72	148.60	297.20	4.79	5.94	7.10
9½ years (12/1/75)	15.21	30.42	152.10	304.20	4.84	6.08	8.14
10 years (extended maturity) [3] (6/1/76)	20.36	40.72	203.60	407.20	[4] 4.97	8.14	----

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1956. For issues of Nov. 1, 1956 add 1 month.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1956 is 4 percent; Dec. 1, 1956 and Jan. 1, 1957 is 4.03 percent.

TABLE 12

BONDS BEARING ISSUE DATES FROM FEBRUARY 1 THROUGH MAY 1, 1957

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (8/1/67)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.15
1 year (2/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.15
1½ years (8/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.25
2 years (2/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	4.26
2½ years (8/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
3 years (2/1/70)	10.50	21.00	105.00	210.00	4.16	4.20	5.07
3½ years (8/1/70)	10.75	21.50	107.50	215.00	4.18	4.30	5.64
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
4 years (2/1/71)	12.26	24.52	122.60	245.20	4.26	4.90	5.71
4½ years (8/1/71)	12.51	25.02	125.10	250.20	4.34	5.00	5.78
5 years (2/1/72)	12.76	25.52	127.60	255.20	4.41	5.10	5.86
5½ years (8/1/72)	13.01	26.02	130.10	260.20	4.47	5.20	5.94
6 years (2/1/73)	13.31	26.62	133.10	266.20	4.53	5.32	6.03
6½ years (8/1/73)	13.56	27.12	135.60	271.20	4.59	5.42	6.13
7 years (2/1/74)	13.81	27.62	138.10	276.20	4.65	5.52	6.24
7½ years (8/1/74)	14.11	28.22	141.10	282.20	4.70	5.64	6.37
8 years (2/1/75)	14.36	28.72	143.60	287.20	4.76	5.74	6.54
8½ years (8/1/75)	14.66	29.32	146.60	293.20	4.81	5.86	6.78
9 years (2/1/76)	14.96	29.92	149.60	299.20	4.86	5.98	7.19
9½ years (8/1/76)	15.26	30.52	152.60	305.20	4.91	6.10	8.32
10 years (extended maturity) [3] (2/1/77)	**20.81**	**41.62**	**208.10**	**416.20**	[4] **5.04**	**8.32**	----

[1] Month, day, and year on which interest check is payable on issues of Feb. 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.20 percent.

TABLE 13

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1957

Face value		$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)		
Issue price		$500	$1,000	$5,000	$10,000			
Redemption and maturity value		500	1,000	5,000	10,000			
Period of time bond is held after maturity date		(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
						Percent	Percent	Percent
½ year	[1] (12/1/67)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.15
1 year	(6/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.25
1½ years	(12/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.26
2 years	(6/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
2½ years	(12/1/69)	10.50	21.00	105.00	210.00	4.16	4.20	5.07
3 years	(6/1/70)	10.70	21.40	107.00	214.00	4.18	4.28	5.63
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision								
3½ years	(12/1/70)	12.22	24.44	122.20	244.40	4.27	4.89	5.70
4 years	(6/1/71)	12.47	24.94	124.70	249.40	4.36	4.99	5.77
4½ years	(12/1/71)	12.72	25.44	127.20	254.40	4.43	5.09	5.85
5 years	(6/1/72)	12.97	25.94	129.70	259.40	4.50	5.19	5.92
5½ years	(12/1/72)	13.22	26.44	132.20	264.40	4.56	5.29	6.00
6 years	(6/1/73)	13.47	26.94	134.70	269.40	4.62	5.39	6.09
6½ years	(12/1/73)	13.72	27.44	137.20	274.40	4.68	5.49	6.19
7 years	(6/1/74)	13.97	27.94	139.70	279.40	4.73	5.59	6.30
7½ years	(12/1/74)	14.22	28.44	142.20	284.40	4.79	5.69	6.43
8 years	(6/1/75)	14.47	28.94	144.70	289.40	4.84	5.79	6.60
8½ years	(12/1/75)	14.77	29.54	147.70	295.40	4.89	5.91	6.85
9 years	(6/1/76)	15.02	30.04	150.20	300.40	4.94	6.01	7.29
9½ years	(12/1/76)	15.32	30.64	153.20	306.40	4.99	6.13	8.49
10 years (extended maturity) [3]	**(6/1/77)**	**21.22**	**42.44**	**212.20**	**424.40**	**[4] 5.12**	**8.49**	**----**

[1] Month, day, and year on which interest check is payable on issues of June 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.26 percent.

TABLE 14

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1957 THROUGH MAY 1, 1958

Period of time bond is held after maturity date		$500	$1,000	$5,000	$10,000	(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
Face value {Issue price		$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)		
Face value {Redemption and maturity value		500	1,000	5,000	10,000			
		(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD						
						Percent	Percent	Percent
½ year	[1] (6/1/68)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.25
1 year	(12/1/68)	10.37	20.75	103.75	207.50	4.15	4.15	4.26
1½ years	(6/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
2 years	(12/1/69)	10.50	21.00	105.00	210.00	4.16	4.20	5.06
2½ years	(6/1/70)	10.70	21.40	107.00	214.00	4.18	4.28	5.62
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision								
3 years	(12/1/70)	12.17	24.34	121.70	243.40	4.29	4.87	5.69
3½ years	(6/1/71)	12.42	24.84	124.20	248.40	4.38	4.97	5.75
4 years	(12/1/71)	12.62	25.24	126.20	252.40	4.46	5.05	5.82
4½ years	(6/1/72)	12.87	25.74	128.70	257.40	4.53	5.15	5.90
5 years	(12/1/72)	13.12	26.24	131.20	262.40	4.59	5.25	5.97
5½ years	(6/1/73)	13.32	26.64	133.20	266.40	4.65	5.33	6.05
6 years	(12/1/73)	13.57	27.14	135.70	271.40	4.71	5.43	6.14
6½ years	(6/1/74)	13.82	27.64	138.20	276.40	4.76	5.53	6.24
7 years	(12/1/74)	14.07	28.14	140.70	281.40	4.82	5.63	6.35
7½ years	(6/1/75)	14.32	28.64	143.20	286.40	4.87	5.73	6.49
8 years	(12/1/75)	14.57	29.14	145.70	291.40	4.92	5.83	6.66
8½ years	(6/1/76)	14.82	29.64	148.20	296.40	4.96	5.93	6.93
9 years	(12/1/76)	15.12	30.24	151.20	302.40	5.01	6.05	7.39
9½ years	(6/1/77)	15.37	30.74	153.70	307.40	5.06	6.15	8.67
10 years (extended maturity) [3]	(12/1/77)	**21.67**	**43.34**	**216.70**	**433.40**	[4] **5.20**	**8.67**	----

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.31 percent.

TABLE 15

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1958

Face value {Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (12/1/68)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	4.26
1 year (6/1/69)	10.37	20.75	103.75	207.50	4.15	4.15	5.00
1½ years (12/1/69)	10.50	21.00	105.00	210.00	4.17	4.20	5.06
2 years (6/1/70)	10.70	21.40	107.00	214.00	4.19	4.28	5.62
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
2½ years (12/1/70)	12.17	24.34	121.70	243.40	4.32	4.87	5.68
3 years (6/1/71)	12.37	24.74	123.70	247.40	4.42	4.95	5.74
3½ years (12/1/71)	12.57	25.14	125.70	251.40	4.50	5.03	5.81
4 years (6/1/72)	12.82	25.64	128.20	256.40	4.57	5.13	5.88
4½ years (12/1/72)	13.02	26.04	130.20	260.40	4.64	5.21	5.95
5 years (6/1/73)	13.27	26.54	132.70	265.40	4.70	5.31	6.02
5½ years (12/1/73)	13.47	26.94	134.70	269.40	4.75	5.39	6.10
6 years (6/1/74)	13.72	27.44	137.20	274.40	4.81	5.49	6.19
6½ years (12/1/74)	13.92	27.84	139.20	278.40	4.86	5.57	6.29
7 years (6/1/75)	14.17	28.34	141.70	283.40	4.91	5.67	6.41
7½ years (12/1/75)	14.42	28.84	144.20	288.40	4.95	5.77	6.54
8 years (6/1/76)	14.67	29.34	146.70	293.40	5.00	5.87	6.73
8½ years (12/1/76)	14.92	29.84	149.20	298.40	5.05	5.97	7.00
9 years (6/1/77)	15.17	30.34	151.70	303.40	5.09	6.07	7.48
9½ years (12/1/77)	15.42	30.84	154.20	308.40	5.13	6.17	8.85
10 years (extended maturity) [3] (6/1/78)	**22.12**	**44.24**	**221.20**	**442.40**	**[4] 5.28**	**8.85**	----

[1] Month, day, and year on which interest check is payable on issues of June 1, 1958. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.37 percent.

TABLE 16

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1958 THROUGH MAY 1, 1959

Face value {Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (6/1/69)	$10.37	$20.75	$103.75	$207.50	4.15	4.15	5.00
1 year (12/1/69)	10.45	20.90	104.50	209.00	4.16	4.18	5.05
1½ years (6/1/70)	10.65	21.30	106.50	213.00	4.20	4.26	5.61
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
2 years (12/1/70)	12.12	24.24	121.20	242.40	4.35	4.85	5.67
2½ years (6/1/71)	12.32	24.64	123.20	246.40	4.46	4.93	5.73
3 years (12/1/71)	12.57	25.14	125.70	251.40	4.55	5.03	5.79
3½ years (6/1/72)	12.77	25.54	127.70	255.40	4.63	5.11	5.86
4 years (12/1/72)	12.97	25.94	129.70	259.40	4.69	5.19	5.92
4½ years (6/1/73)	13.17	26.34	131.70	263.40	4.75	5.27	5.99
5 years (12/1/73)	13.37	26.74	133.70	267.40	4.80	5.35	6.07
5½ years (6/1/74)	13.62	27.24	136.20	272.40	4.85	5.45	6.15
6 years (12/1/74)	13.82	27.64	138.20	276.40	4.90	5.53	6.23
6½ years (6/1/75)	14.07	28.14	140.70	281.40	4.95	5.63	6.33
7 years (12/1/75)	14.27	28.54	142.70	285.40	5.00	5.71	6.45
7½ years (6/1/76)	14.52	29.04	145.20	290.40	5.04	5.81	6.58
8 years (12/1/76)	14.77	29.54	147.70	295.40	5.08	5.91	6.77
8½ years (6/1/77)	15.02	30.04	150.20	300.40	5.13	6.01	7.04
9 years (12/1/77)	15.27	30.54	152.70	305.40	5.17	6.11	7.52
9½ years (6/1/78)	15.52	31.04	155.20	310.40	5.21	6.21	8.89
10 years (extended maturity) [3] (12/1/78)	22.22	44.44	222.20	444.40	[4] 5.35	8.89	....

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1958. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.43 percent.

TABLE 17

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1959

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	*Percent*	*Percent*
½ year [1] (12/1/69)	$12.50	$25.00	$125.00	$250.00	5.00	5.00	5.00
1 year (6/1/70)	12.50	25.00	125.00	250.00	5.00	5.00	5.50
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
1½ years (12/1/70)	13.75	27.50	137.50	275.00	5.16	5.50	5.50
2 years (6/1/71)	13.75	27.50	137.50	275.00	5.24	5.50	5.50
2½ years (12/1/71)	13.75	27.50	137.50	275.00	5.29	5.50	5.50
3 years (6/1/72)	13.75	27.50	137.50	275.00	5.32	5.50	5.50
3½ years (12/1/72)	13.75	27.50	137.50	275.00	5.35	5.50	5.50
4 years (6/1/73)	13.75	27.50	137.50	275.00	5.36	5.50	5.50
4½ years (12/1/73)	13.75	27.50	137.50	275.00	5.38	5.50	5.50
5 years (6/1/74)	13.75	27.50	137.50	275.00	5.39	5.50	5.50
5½ years (12/1/74)	13.75	27.50	137.50	275.00	5.40	5.50	5.50
6 years (6/1/75)	13.75	27.50	137.50	275.00	5.41	5.50	5.50
6½ years (12/1/75)	13.75	27.50	137.50	275.00	5.41	5.50	5.50
7 years (6/1/76)	13.75	27.50	137.50	275.00	5.42	5.50	5.50
7½ years (12/1/76)	13.75	27.50	137.50	275.00	5.42	5.50	5.50
8 years (6/1/77)	13.75	27.50	137.50	275.00	5.43	5.50	5.50
8½ years (12/1/77)	13.75	27.50	137.50	275.00	5.43	5.50	5.50
9 years (6/1/78)	13.75	27.50	137.50	275.00	5.43	5.50	5.50
9½ years (12/1/78)	13.75	27.50	137.50	275.00	5.43	5.50	5.50
10 years (extended maturity) [3] (6/1/79)	**13.75**	**27.50**	**137.50**	**275.00**	**[4] 5.44**	**5.50**	----

[1] Month, day, and year on which interest check is payable on issues of June 1, 1959. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.48 percent.

TABLE 18

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1959 THROUGH MAY 1, 1960

Face value	$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to extended maturity [2]
					Percent	Percent	Percent
½ year [1] (6/1/70)	$12.50	$25.00	$125.00	$250.00	5.00	5.00	5.50
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
1 year (12/1/70)	13.75	27.50	137.50	275.00	5.25	5.50	5.50
1½ years (6/1/71)	13.75	27.50	137.50	275.00	5.33	5.50	5.50
2 years (12/1/71)	13.75	27.50	137.50	275.00	5.37	5.50	5.50
2½ years (6/1/72)	13.75	27.50	137.50	275.00	5.39	5.50	5.50
3 years (12/1/72)	13.75	27.50	137.50	275.00	5.41	5.50	5.50
3½ years (6/1/73)	13.75	27.50	137.50	275.00	5.42	5.50	5.50
4 years (12/1/73)	13.75	27.50	137.50	275.00	5.43	5.50	5.50
4½ years (6/1/74)	13.75	27.50	137.50	275.00	5.44	5.50	5.50
5 years (12/1/74)	13.75	27.50	137.50	275.00	5.44	5.50	5.50
5½ years (6/1/75)	13.75	27.50	137.50	275.00	5.45	5.50	5.50
6 years (12/1/75)	13.75	27.50	137.50	275.00	5.45	5.50	5.50
6½ years (6/1/76)	13.75	27.50	137.50	275.00	5.46	5.50	5.50
7 years (12/1/76)	13.75	27.50	137.50	275.00	5.46	5.50	5.50
7½ years (6/1/77)	13.75	27.50	137.50	275.00	5.46	5.50	5.50
8 years (12/1/77)	13.75	27.50	137.50	275.00	5.46	5.50	5.50
8½ yeats (6/1/78)	13.75	27.50	137.50	275.00	5.46	5.50	5.50
9 years (12/1/78)	13.75	27.50	137.50	275.00	5.47	5.50	5.50
9½ years (6/1/79)	13.75	27.50	137.50	275.00	5.47	5.50	5.50
10 years (extended maturity) [3] (12/1/79)	13.75	27.50	137.50	275.00	[4] 5.47	5.50	----

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1959. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.51 percent.

TABLE 19

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1960

Face value					Approximate investment yield (annual percentage rate)		
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**			
Redemption [1] and maturity value	**500**	**1,000**	**5,000**	**10,000**			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date (a) to maturity [3]
					Percent	*Percent*	*Percent*
½ year [2] (12/1/60)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year (6/1/61)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years (12/1/61)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years (6/1/62)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years (12/1/62)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years (6/1/63)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years (12/1/63)	10.00	20.00	100.00	200.00	3.36	4.00	4.00
4 years (6/1/64)	10.00	20.00	100.00	200.00	3.44	4.00	4.00
4½ years (12/1/64)	10.00	20.00	100.00	200.00	3.49	4.00	4.00
5 years (6/1/65)	10.00	20.00	100.00	200.00	3.54	4.00	4.00
5½ years (12/1/65)	10.00	20.00	100.00	200.00	3.58	4.00	4.40
6 years (6/1/66)	10.20	20.40	102.00	204.00	3.62	4.08	4.44
6½ years (12/1/66)	10.20	20.40	102.00	204.00	3.65	4.08	4.50
7 years (6/1/67)	10.70	21.40	107.00	214.00	3.69	4.28	4.54
7½ years (12/1/67)	10.70	21.40	107.00	214.00	3.72	4.28	4.60
8 years (6/1/68)	10.70	21.40	107.00	214.00	3.75	4.28	4.78
8½ years (12/1/68)	10.70	21.40	107.00	214.00	3.78	4.28	4.96
9 years (6/1/69)	12.05	24.10	120.50	241.00	3.83	4.82	5.03
9½ years (12/1/69)	12.05	24.10	120.50	241.00	3.87	4.82	5.24
10 years (maturity) (6/1/70)	**13.09**	**26.18**	**130.90**	**261.80**	**3.93**	**5.24**	----
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD						(b) To extended maturity [3]
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1970, revision							
½ year (12/1/70)	$13.75	$27.50	$137.50	$275.00	5.50	5.50	5.50
1 year (6/1/71)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
1½ years (12/1/71)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2 years (6/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2½ years (12/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3 years (6/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3½ years (12/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4 years (6/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4½ years (12/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5 years (6/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5½ years (12/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6 years (6/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6½ years (12/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7 years (6/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7½ years (12/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8 years (6/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8½ years (12/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9 years (6/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9½ years (12/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
10 years (extended maturity) [4] (6/1/80)	**13.75**	**27.50**	**137.50**	**275.00**	**[5] 5.50**	**5.50**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1960. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.53 percent.

TABLE 20

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1960 THROUGH MAY 1, 1961

Face value {Issue price / Redemption [1] and maturity value}	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date (a) to maturity [3]
					Percent	Percent	Percent
½ year [2] (6/1/61)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year (12/1/61)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years (6/1/62)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years (12/1/62)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years (6/1/63)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years (12/1/63)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years (6/1/64)	10.00	20.00	100.00	200.00	3.36	4.00	4.00
4 years (12/1/64)	10.00	20.00	100.00	200.00	3.44	4.00	4.00
4½ years (6/1/65)	10.00	20.00	100.00	200.00	3.49	4.00	4.00
5 years (12/1/65)	10.00	20.00	100.00	200.00	3.54	4.00	4.40
5½ years (6/1/66)	10.20	20.40	102.00	204.00	3.58	4.08	4.44
6 years (12/1/66)	10.20	20.40	102.00	204.00	3.62	4.08	4.49
6½ years (6/1/67)	10.20	20.40	102.00	204.00	3.65	4.08	4.56
7 years (12/1/67)	11.00	22.00	110.00	220.00	3.70	4.40	4.58
7½ years (6/1/68)	11.00	22.00	110.00	220.00	3.74	4.40	4.72
8 years (12/1/68)	11.00	22.00	110.00	220.00	3.78	4.40	4.81
8½ years (6/1/69)	11.00	22.00	110.00	220.00	3.81	4.40	5.00
9 years (12/1/69)	12.00	24.00	120.00	240.00	3.85	4.80	5.10
9½ years (6/1/70)	12.05	24.10	120.50	241.00	3.89	4.82	5.88
Amounts of interest checks and investment yields to maturity and extended maturity on basis of June 1, 1970, revision							
10 years (Maturity) (12/1/70)	14.70	29.40	147.00	294.00	3.98	5.88	----
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD						(b) To extended maturity [3]
½ year (6/1/71)	$13.75	$27.50	$137.50	$275.00	5.50	5.50	5.50
1 year (12/1/71)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
1½ years (6/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2 years (12/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2½ years (6/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3 years (12/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3½ years (6/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4 years (12/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4½ years (6/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5 years (12/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5½ years (6/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6 years (12/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6½ years (6/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7 years (12/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7½ years (6/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8 years (12/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8½ years (6/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9 years (12/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9½ years (6/1/80)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
10 years (extended maturity) [4] (12/1/80)	13.75	27.50	137.50	275.00	[5] 5.50	5.50	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1960. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.56 percent.

TABLE 21

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1961

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption [1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date (a) to maturity [3]
					Percent	*Percent*	*Percent*
½ year [2](12/1/61)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year (6/1/62)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years (12/1/62)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years (6/1/63)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years (12/1/63)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years (6/1/64)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years (12/1/64)	10.00	20.00	100.00	200.00	3.36	4.00	4.00
4 years (6/1/65)	10.00	20.00	100.00	200.00	3.44	4.00	4.00
4½ years (12/1/65)	10.00	20.00	100.00	200.00	3.49	4.00	4.40
5 years (6/1/66)	10.20	20.40	102.00	204.00	3.55	4.08	4.44
5½ years (12/1/66)	10.20	20.40	102.00	204.00	3.59	4.08	4.48
6 years (6/1/67)	10.20	20.40	102.00	204.00	3.63	4.08	4.54
6½ years (12/1/67)	10.85	21.70	108.50	217.00	3.68	4.34	4.57
7 years (6/1/68)	10.85	21.70	108.50	217.00	3.72	4.34	4.71
7½ years (12/1/68)	10.85	21.70	108.50	217.00	3.75	4.34	4.79
8 years (6/1/69)	11.35	22.70	113.50	227.00	3.80	4.54	5.00
8½ years (12/1/69)	11.45	22.90	114.50	229.00	3.84	4.58	5.14
9 years (6/1/70)	11.65	23.30	116.50	233.00	3.87	4.66	5.90
Amounts of interest checks and investment yields to maturity and extended maturity on basis of June 1, 1970, revision							
9½ years (12/1/70)	13.86	27.72	138.60	277.20	3.95	5.54	6.26
10 years (maturity) (6/1/71)	**15.66**	**31.32**	**156.60**	**313.20**	**4.04**	**6.26**	----
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD						(b) to extended maturity [3]
½ year (12/1/71)	$13.75	$27.50	$137.50	$275.00	5.50	5.50	5.50
1 year (6/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
1½ years (12/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2 years (6/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2½ years (12/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3 years (6/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3½ years (12/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4 years (6/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4½ years (12/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5 years (6/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5½ years (12/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6 years (6/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6½ years (12/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7 years (6/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7½ years (12/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8 years (6/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8½ years (12/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9 years (6/1/80)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9½ years (12/1/80)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
10 years (extended maturity) [4] (6/1/81)	**13.75**	**27.50**	**137.50**	**275.00**	**[5] 5.50**	**5.50**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1961. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.60 percent.

TABLE 22

BONDS BEARING ISSUE DATE DECEMBER 1, 1961

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date (a) to maturity[3]
					Percent	*Percent*	*Percent*
½ year ....[2] (6/1/62)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (12/1/62)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years .... (6/1/63)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years .... (12/1/63)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years .... (6/1/64)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years .... (12/1/64)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years .... (6/1/65)	10.00	20.00	100.00	200.00	3.36	4.00	4.00
4 years .... (12/1/65)	10.00	20.00	100.00	200.00	3.44	4.00	4.40
4½ years .... (6/1/66)	10.20	20.40	102.00	204.00	3.50	4.08	4.43
5 years .... (12/1/66)	10.20	20.40	102.00	204.00	3.56	4.08	4.47
5½ years .... (6/1/67)	10.20	20.40	102.00	204.00	3.60	4.08	4.52
6 years .... (12/1/67)	10.75	21.50	107.50	215.00	3.65	4.30	4.55
6½ years .... (6/1/68)	10.75	21.50	107.50	215.00	3.69	4.30	4.69
7 years .... (12/1/68)	10.75	21.50	107.50	215.00	3.73	4.30	4.76
7½ years .... (6/1/69)	11.25	22.50	112.50	225.00	3.78	4.50	5.00
8 years .... (12/1/69)	11.35	22.70	113.50	227.00	3.82	4.54	5.12
8½ years .... (6/1/70)	11.50	23.00	115.00	230.00	3.86	4.60	5.81
Amounts of interest checks and investment yields to maturity and extended maturity on basis of June 1, 1970, revision							
9 years .... (12/1/70)	13.71	27.42	137.10	274.20	3.93	5.48	5.98
9½ years .... (6/1/71)	13.91	27.82	139.10	278.20	4.00	5.56	6.40
10 years (maturity) .... (12/1/71)	**16.01**	**32.02**	**160.10**	**320.20**	**4.10**	**6.40**	----
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD						(b) To extended maturity[3]
½ year .... (6/1/72)	$13.75	$27.50	$137.50	$275.00	5.50	5.50	5.50
1 year .... (12/1/72)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
1½ years .... (6/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2 years .... (12/1/73)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
2½ years .... (6/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3 years .... (12/1/74)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
3½ years .... (6/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4 years .... (12/1/75)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
4½ years .... (6/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5 years .... (12/1/76)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
5½ years .... (6/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6 years .... (12/1/77)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
6½ years .... (6/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7 years .... (12/1/78)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
7½ years .... (6/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8 years .... (12/1/79)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
8½ years .... (6/1/80)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9 years .... (12/1/80)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
9½ years .... (6/1/81)	13.75	27.50	137.50	275.00	5.50	5.50	5.50
10 years (extended maturity)[4] .... (12/1/81)	**13.75**	**27.50**	**137.50**	**275.00**	**[5] 5.50**	**5.50**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1961.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.63 percent.

TABLE 23

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH MAY 1, 1962

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	Percent	Percent
½ year .... [2] (7/1/62)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (1/1/63)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years .... (7/1/63)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years .... (1/1/64)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years .... (7/1/64)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years .... (1/1/65)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years .... (7/1/65)	10.00	20.00	100.00	200.00	3.36	4.00	4.00
4 years .... (1/1/66)	10.00	20.00	100.00	200.00	3.44	4.00	4.40
4½ years .... (7/1/66)	10.20	20.40	102.00	204.00	3.50	4.08	4.43
5 years .... (1/1/67)	10.20	20.40	102.00	204.00	3.56	4.08	4.47
5½ years .... (7/1/67)	10.20	20.40	102.00	204.00	3.60	4.08	4.52
6 years .... (1/1/68)	10.75	21.50	107.50	215.00	3.65	4.30	4.55
6½ years .... (7/1/68)	10.75	21.50	107.50	215.00	3.69	4.30	4.69
7 years .... (1/1/69)	10.75	21.50	107.50	215.00	3.73	4.30	4.76
7½ years .... (7/1/69)	11.25	22.50	112.50	225.00	3.78	4.50	5.00
8 years .... (1/1/70)	11.35	22.70	113.50	227.00	3.82	4.54	5.12
8½ years .... (7/1/70)	11.50	23.00	115.00	230.00	3.86	4.60	5.81
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
9 years .... (1/1/71)	13.71	27.42	137.10	274.20	3.93	5.48	5.98
9½ years .... (7/1/71)	13.91	27.82	139.10	278.20	4.00	5.56	6.40
10 years (maturity) .... (1/1/72)	**16.01**	**32.02**	**160.10**	**320.20**	4.10	6.40	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Jan. 1, 1962. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 24

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1962

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	Percent	Percent
½ year .... [2](12/1/62)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (6/1/63)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years .... (12/1/63)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years .... (6/1/64)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years .... (12/1/64)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years .... (6/1/65)	10.00	20.00	100.00	200.00	3.26	4.00	4.00
3½ years .... (12/1/65)	10.00	20.00	100.00	200.00	3.36	4.00	4.40
4 years .... (6/1/66)	10.20	20.40	102.00	204.00	3.45	4.08	4.43
4½ years .... (12/1/66)	10.20	20.40	102.00	204.00	3.51	4.08	4.47
5 years .... (6/1/67)	10.20	20.40	102.00	204.00	3.56	4.08	4.51
5½ years .... (12/1/67)	10.65	21.30	106.50	213.00	3.62	4.26	4.54
6 years .... (6/1/68)	10.65	21.30	106.50	213.00	3.67	4.26	4.68
6½ years .... (12/1/68)	10.65	21.30	106.50	213.00	3.71	4.26	4.75
7 years .... (6/1/69)	11.25	22.50	112.50	225.00	3.76	4.50	5.00
7½ years .... (12/1/69)	11.35	22.70	113.50	227.00	3.80	4.54	5.10
8 years .... (6/1/70)	11.50	23.00	115.00	230.00	3.85	4.60	5.73
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
8½ years .... (12/1/70)	12.95	25.90	129.50	259.00	3.91	5.18	5.92
9 years .... (6/1/71)	13.90	27.80	139.00	278.00	3.99	5.56	6.11
9½ years .... (12/1/71)	14.10	28.20	141.00	282.00	4.06	5.64	6.60
10 years (maturity) .... (6/1/72)	**16.50**	**33.00**	**165.00**	**330.00**	**4.16**	**6.60**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1962. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on tbe interest payment date from which the yield is computed.

TABLE 25

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1962 THROUGH MAY 1, 1963

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year ... [2](6/1/63)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year ... (12/1/63)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years ... (6/1/64)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years ... (12/1/64)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years ... (6/1/65)	10.00	20.00	100.00	200.00	3.12	4.00	4.00
3 years ... (12/1/65)	10.00	20.00	100.00	200.00	3.26	4.00	4.40
3½ years ... (6/1/66)	10.20	20.40	102.00	204.00	3.37	4.08	4.43
4 years ... (12/1/66)	10.20	20.40	102.00	204.00	3.45	4.08	4.46
4½ years ... (6/1/67)	10.20	20.40	102.00	204.00	3.52	4.08	4.50
5 years ... (12/1/67)	10.60	21.20	106.00	212.00	3.58	4.24	4.53
5½ years ... (6/1/68)	10.60	21.20	106.00	212.00	3.64	4.24	4.67
6 years ... (12/1/68)	10.60	21.20	106.00	212.00	3.68	4.24	4.73
6½ years ... (6/1/69)	11.15	22.30	111.50	223.00	3.74	4.46	5.00
7 years ... (12/1/69)	11.25	22.50	112.50	225.00	3.78	4.50	5.09
7½ years ... (6/1/70)	11.40	22.80	114.00	228.00	3.83	4.56	5.70
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
8 years ... (12/1/70)	12.80	25.60	128.00	256.00	3.90	5.12	5.86
8½ years ... (6/1/71)	13.80	27.60	138.00	276.00	3.98	5.52	5.98
9 years ... (12/1/71)	13.95	27.90	139.50	279.00	4.05	5.58	6.18
9½ years ... (6/1/72)	14.15	28.30	141.50	283.00	4.12	5.66	6.72
10 years (maturity) ... (12/1/72)	**16.80**	**33.60**	**168.00**	**336.00**	**4.22**	**6.72**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1962. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 26

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1963

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year .... [2](12/1/63)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (6/1/64)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years .... (12/1/64)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years .... (6/1/65)	10.00	20.00	100.00	200.00	2.91	4.00	4.00
2½ years .... (12/1/65)	10.00	20.00	100.00	200.00	3.12	4.00	4.40
3 years .... (6/1/66)	10.20	20.40	102.00	204.00	3.27	4.08	4.43
3½ years .... (12/1/66)	10.20	20.40	102.00	204.00	3.38	4.08	4.46
4 years .... (6/1/67)	10.20	20.40	102.00	204.00	3.46	4.08	4.49
4½ years .... (12/1/67)	10.55	21.10	105.50	211.00	3.54	4.22	4.52
5 years .... (6/1/68)	10.55	21.10	105.50	211.00	3.60	4.22	4.66
5½ years .... (12/1/68)	10.55	21.10	105.50	211.00	3.65	4.22	4.71
6 years .... (6/1/69)	11.10	22.20	111.00	222.00	3.71	4.44	5.00
6½ years .... (12/1/69)	11.20	22.40	112.00	224.00	3.77	4.48	5.08
7 years .... (6/1/70)	11.35	22.70	113.50	227.00	3.81	4.54	5.69
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
7½ years .... (12/1/70)	12.76	25.52	127.60	255.20	3.89	5.10	5.81
8 years .... (6/1/71)	12.91	25.82	129.10	258.20	3.96	5.16	5.98
8½ years .... (12/1/71)	14.06	28.12	140.60	281.20	4.04	5.62	6.11
9 years .... (6/1/72)	14.21	28.42	142.10	284.20	4.11	5.68	6.33
9½ years .... (12/1/72)	14.36	28.72	143.60	287.20	4.18	5.74	6.94
10 years (maturity) .... (6/1/73)	17.36	34.72	173.60	347.20	4.29	6.94	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1963. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 27

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1963, THROUGH MAY 1, 1964

Face value { Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	Percent	Percent
½ year .... [2] (6/1/64)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (12/1/64)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years .... (6/1/65)	8.00	16.00	80.00	160.00	2.56	3.20	4.00
2 years .... (12/1/65)	10.00	20.00	100.00	200.00	2.91	4.00	4.40
2½ years .... (6/1/66)	10.20	20.40	102.00	204.00	3.14	4.08	4.43
3 years .... (12/1/66)	10.20	20.40	102.00	204.00	3.29	4.08	4.46
3½ years .... (6/1/67)	10.20	20.40	102.00	204.00	3.39	4.08	4.49
4 years .... (12/1/67)	10.20	20.40	102.00	204.00	3.47	4.08	4.53
4½ years .... (6/1/68)	10.75	21.50	107.50	215.00	3.56	4.30	4.65
5 years .... (12/1/68)	10.75	21.50	107.50	215.00	3.63	4.30	4.69
5½ years .... (6/1/69)	10.75	21.50	107.50	215.00	3.68	4.30	5.00
6 years .... (12/1/69)	10.80	21.60	108.00	216.00	3.73	4.32	5.09
6½ years .... (6/1/70)	11.45	22.90	114.50	229.00	3.79	4.58	5.67
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
7 years .... (12/1/70)	12.86	25.72	128.60	257.20	3.87	5.14	5.77
7½ years .... (6/1/71)	13.01	26.02	130.10	260.20	3.95	5.20	5.89
8 years .... (12/1/71)	13.16	26.32	131.60	263.20	4.02	5.26	6.06
8½ years .... (6/1/72)	14.16	28.32	141.60	283.20	4.10	5.66	6.20
9 years .... (12/1/72)	14.31	28.62	143.10	286.20	4.17	5.72	6.44
9½ years .... (6/1/73)	14.46	28.92	144.60	289.20	4.24	5.78	7.12
10 years (maturity) .... (12/1/73)	**17.81**	**35.62**	**178.10**	**356.20**	**4.35**	**7.12**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1963. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 28

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1964

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity [3]
					Percent	Percent	Percent
½ year [2] (12/1/64)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year (6/1/65)	7.25	14.50	72.50	145.00	2.25	2.90	3.95
1½ years (12/1/65)	8.00	16.00	80.00	160.00	2.56	3.20	4.40
2 years (6/1/66)	10.20	20.40	102.00	204.00	2.93	4.08	4.42
2½ years (12/1/66)	10.20	20.40	102.00	204.00	3.15	4.08	4.45
3 years (6/1/67)	10.20	20.40	102.00	204.00	3.30	4.08	4.48
3½ years (12/1/67)	10.20	20.40	102.00	204.00	3.41	4.08	4.52
4 years (6/1/68)	10.70	21.40	107.00	214.00	3.51	4.28	4.64
4½ years (12/1/68)	10.70	21.40	107.00	214.00	3.59	4.28	4.68
5 years (6/1/69)	10.70	21.40	107.00	214.00	3.65	4.28	5.00
5½ years (12/1/69)	10.75	21.50	107.50	215.00	3.70	4.30	5.09
6 years (6/1/70)	11.40	22.80	114.00	228.00	3.77	4.56	5.66
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
6½ years (12/1/70)	12.81	25.62	128.10	256.20	3.86	5.12	5.75
7 years (6/1/71)	12.96	25.92	129.60	259.20	3.94	5.18	5.85
7½ years (12/1/71)	13.11	26.22	131.10	262.20	4.02	5.24	5.98
8 years (6/1/72)	13.26	26.52	132.60	265.20	4.08	5.30	6.16
8½ years (12/1/72)	14.36	28.72	143.60	287.20	4.16	5.74	6.31
9 years (6/1/73)	14.51	29.02	145.10	290.20	4.24	5.80	6.57
9½ years (12/1/73)	14.66	29.32	146.60	293.20	4.31	5.86	7.30
10 years (maturity) (6/1/74)	18.26	36.52	182.60	365.20	4.42	7.30	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1964. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 29

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1964 THROUGH MAY 1, 1965

Face value {Issue price / Redemption[1] and maturity value}	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year .... [2] (6/1/65)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	3.88
1 year .... (12/1/65)	7.25	14.50	72.50	145.00	2.25	2.90	4.35
1½ years .... (6/1/66)	8.20	16.40	82.00	164.00	2.59	3.28	4.42
2 years .... (12/1/66)	10.20	20.40	102.00	204.00	2.95	4.08	4.45
2½ years .... (6/1/67)	10.20	20.40	102.00	204.00	3.17	4.08	4.48
3 years .... (12/1/67)	10.20	20.40	102.00	204.00	3.31	4.08	4.51
3½ years .... (6/1/68)	10.65	21.30	106.50	213.00	3.44	4.26	4.63
4 years .... (12/1/68)	10.65	21.30	106.50	213.00	3.54	4.26	4.67
4½ years .... (6/1/69)	10.65	21.30	106.50	213.00	3.61	4.26	5.00
5 years .... (12/1/69)	10.70	21.40	107.00	214.00	3.67	4.28	5.08
5½ years .... (6/1/70)	10.85	21.70	108.50	217.00	3.73	4.34	5.68
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
6 years .... (12/1/70)	12.96	25.92	129.60	259.20	3.83	5.18	5.75
6½ years .... (6/1/71)	13.06	26.12	130.60	261.20	3.93	5.22	5.83
7 years .... (12/1/71)	13.21	26.42	132.10	264.20	4.01	5.28	5.93
7½ years .... (6/1/72)	13.36	26.72	133.60	267.20	4.09	5.34	6.06
8 years .... (12/1/72)	13.51	27.02	135.10	270.20	4.16	5.40	6.23
8½ years .... (6/1/73)	14.46	28.92	144.60	289.20	4.24	5.78	6.39
9 years .... (12/1/73)	14.61	29.22	146.10	292.20	4.31	5.84	6.68
9½ years .... (6/1/74)	14.76	29.52	147.60	295.20	4.38	5.90	7.48
10 years (maturity) .... (12/1/74)	18.71	37.42	187.10	374.20	4.50	7.48	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1964. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 30

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1965

Face value	$500	$1,000	$5,000	$10,000	Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption[1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year [2](12/1/65)	$4.00	$8.00	$40.00	$80.00	1.60	1.60	4.28
1 year (6/1/66)	7.45	14.90	74.50	149.00	2.29	2.98	4.37
1½ years (12/1/66)	8.20	16.40	82.00	164.00	2.61	3.28	4.45
2 years (6/1/67)	10.20	20.40	102.00	204.00	2.97	4.08	4.47
2½ years (12/1/67)	10.20	20.40	102.00	204.00	3.18	4.08	4.51
3 years (6/1/68)	10.60	21.20	106.00	212.00	3.35	4.24	4.63
3½ years (12/1/68)	10.60	21.20	106.00	212.00	3.47	4.24	4.66
4 years (6/1/69)	10.60	21.20	106.00	212.00	3.56	4.24	5.00
4½ years (12/1/69)	10.65	21.30	106.50	213.00	3.63	4.26	5.08
5 years (6/1/70)	10.80	21.60	108.00	216.00	3.70	4.32	5.66
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
5½ years (12/1/70)	12.86	25.72	128.60	257.20	3.81	5.14	5.73
6 years (6/1/71)	13.01	26.02	130.10	260.20	3.92	5.20	5.80
6½ years (12/1/71)	13.11	26.22	131.10	262.20	4.01	5.24	5.89
7 years (6/1/72)	13.26	26.52	132.60	265.20	4.09	5.30	6.00
7½ years (12/1/72)	13.41	26.82	134.10	268.20	4.16	5.36	6.14
8 years (6/1/73)	14.31	28.62	143.10	286.20	4.24	5.72	6.25
8½ years (12/1/73)	14.41	28.82	144.10	288.20	4.31	5.76	6.42
9 years (6/1/74)	14.56	29.12	145.60	291.20	4.38	5.82	6.73
9½ years (12/1/74)	14.71	29.42	147.10	294.20	4.44	5.88	7.60
10 years (maturity) (6/1/75)	**19.01**	**38.02**	**190.10**	**380.20**	**4.57**	7.60	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1965. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 31

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1965 THROUGH MAY 1, 1966

Face value: Issue price / Redemption[1] and maturity value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption[1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year [2] (6/1/66)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.27
1 year (12/1/66)	9.70	19.40	97.00	194.00	3.03	3.88	4.30
1½ years (6/1/67)	10.75	21.50	107.50	215.00	3.45	4.30	4.30
2 years (12/1/67)	10.75	21.50	107.50	215.00	3.65	4.30	4.30
2½ years (6/1/68)	10.75	21.50	107.50	215.00	3.78	4.30	4.40
3 years (12/1/68)	10.75	21.50	107.50	215.00	3.86	4.30	4.41
3½ years (6/1/69)	10.75	21.50	107.50	215.00	3.92	4.30	5.00
4 years (12/1/69)	10.85	21.70	108.50	217.00	3.97	4.34	5.06
4½ years (6/1/70)	11.10	22.20	111.00	222.00	4.02	4.44	5.63
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
5 years (12/1/70)	11.30	22.60	113.00	226.00	4.06	4.52	5.75
5½ years (6/1/71)	12.96	25.92	129.60	259.20	4.15	5.18	5.83
6 years (12/1/71)	13.21	26.42	132.10	264.20	4.24	5.28	5.90
6½ years (6/1/72)	13.41	26.82	134.10	268.20	4.31	5.36	5.99
7 years (12/1/72)	13.66	27.32	136.60	273.20	4.38	5.46	6.09
7½ years (6/1/73)	13.91	27.82	139.10	278.20	4.45	5.56	6.20
8 years (12/1/73)	14.16	28.32	141.60	283.20	4.51	5.66	6.34
8½ years (6/1/74)	14.41	28.82	144.10	288.20	4.57	5.76	6.55
9 years (12/1/74)	14.66	29.32	146.60	293.20	4.63	5.86	6.91
9½ years (6/1/75)	14.91	29.82	149.10	298.20	4.69	5.96	7.88
10 years (maturity) (12/1/75)	**19.71**	**39.42**	**197.10**	**394.20**	**4.81**	**7.88**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1965. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 32

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1966

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year [2] (12/1/66)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.27
1 year (6/1/67)	9.70	19.40	97.00	194.00	3.03	3.88	4.30
1½ years (12/1/67)	10.75	21.50	107.50	215.00	3.45	4.30	4.30
2 years (6/1/68)	10.75	21.50	107.50	215.00	3.65	4.30	4.40
2½ years (12/1/68)	10.75	21.50	107.50	215.00	3.78	4.30	4.41
3 years (6/1/69)	10.75	21.50	107.50	215.00	3.86	4.30	5.00
3½ years (12/1/69)	10.85	21.70	108.50	217.00	3.93	4.34	5.06
4 years (6/1/70)	11.05	22.10	110.50	221.00	3.98	4.42	5.62
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
4½ years (12/1/70)	11.30	22.60	113.00	226.00	4.04	4.52	5.74
5 years (6/1/71)	11.50	23.00	115.00	230.00	4.09	4.60	5.87
5½ years (12/1/71)	13.26	26.52	132.60	265.20	4.19	5.30	5.95
6 years (6/1/72)	13.51	27.02	135.10	270.20	4.28	5.40	6.02
6½ years (12/1/72)	13.71	27.42	137.10	274.20	4.36	5.48	6.11
7 years (6/1/73)	13.96	27.92	139.60	279.20	4.43	5.58	6.20
7½ years (12/1/73)	14.16	28.32	141.60	283.20	4.50	5.66	6.32
8 years (6/1/74)	14.41	28.82	144.10	288.20	4.57	5.76	6.47
8½ years (12/1/74)	14.66	29.32	146.60	293.20	4.63	5.86	6.69
9 years (6/1/75)	14.91	29.82	149.10	298.20	4.69	5.96	7.07
9½ years (12/1/75)	15.16	30.32	151.60	303.20	4.74	6.06	8.10
10 years (maturity) (6/1/76)	20.26	40.52	202.60	405.20	4.87	8.10	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1966. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 33

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1966 THROUGH MAY 1, 1967

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption[1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year .... [2] (6/1/67)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.27
1 year .... (12/1/67)	9.70	19.40	97.00	194.00	3.03	3.88	4.30
1½ years .... (6/1/68)	10.75	21.50	107.50	215.00	3.45	4.30	4.40
2 years .... (12/1/68)	10.75	21.50	107.50	215.00	3.65	4.30	4.41
2½ years .... (6/1/69)	10.75	21.50	107.50	215.00	3.78	4.30	5.00
3 years .... (12/1/69)	10.85	21.70	108.50	217.00	3.87	4.34	5.06
3½ years .... (6/1/70)	11.05	22.10	110.50	221.00	3.94	4.42	5.61
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
4 years .... (12/1/70)	11.25	22.50	112.50	225.00	4.01	4.50	5.72
4½ years .... (6/1/71)	11.45	22.90	114.50	229.00	4.06	4.58	5.84
5 years .... (12/1/71)	11.65	23.30	116.50	233.00	4.12	4.66	5.98
5½ years .... (6/1/72)	13.56	27.12	135.60	271.20	4.22	5.42	6.05
6 years .... (12/1/72)	13.76	27.52	137.60	275.20	4.32	5.50	6.13
6½ years .... (6/1/73)	14.01	28.02	140.10	280.20	4.40	5.60	6.21
7 years .... (12/1/73)	14.21	28.42	142.10	284.20	4.48	5.68	6.31
7½ years .... (6/1/74)	14.41	28.82	144.10	288.20	4.55	5.76	6.43
8 years .... (12/1/74)	14.66	29.32	146.60	293.20	4.62	5.86	6.58
8½ years .... (6/1/75)	14.86	29.72	148.60	297.20	4.68	5.94	6.81
9 years .... (12/1/75)	15.11	30.22	151.10	302.20	4.74	6.04	7.20
9½ years .... (6/1/76)	15.31	30.62	153.10	306.20	4.80	6.12	8.32
10 years (maturity) .... (12/1/76)	**20.81**	**41.62**	**208.10**	**416.20**	**4.94**	**8.32**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1966. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 34

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1967

Face value: Issue price / Redemption[1] and maturity value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption[1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year .... [2](12/1/67)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.27
1 year .... (6/1/68)	9.70	19.40	97.00	194.00	3.03	3.88	4.40
1½ years .... (12/1/68)	10.75	21.50	107.50	215.00	3.45	4.30	4.41
2 years .... (6/1/69)	10.75	21.50	107.50	215.00	3.65	4.30	5.00
2½ years .... (12/1/69)	10.85	21.70	108.50	217.00	3.79	4.34	5.05
3 years .... (6/1/70)	11.05	22.10	110.50	221.00	3.89	4.42	5.61
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
3½ years .... (12/1/70)	11.20	22.40	112.00	224.00	3.97	4.48	5.71
4 years .... (6/1/71)	11.40	22.80	114.00	228.00	4.03	4.56	5.83
4½ years .... (12/1/71)	11.60	23.20	116.00	232.00	4.10	4.64	5.95
5 years .... (6/1/72)	11.80	23.60	118.00	236.00	4.15	4.72	6.10
5½ years .... (12/1/72)	13.88	27.76	138.80	277.60	4.27	5.55	6.17
6 years .... (6/1/73)	14.08	28.16	140.80	281.60	4.37	5.63	6.24
6½ years .... (12/1/73)	14.28	28.56	142.80	285.60	4.46	5.71	6.33
7 years .... (6/1/74)	14.48	28.96	144.80	289.60	4.54	5.79	6.43
7½ years .... (12/1/74)	14.68	29.36	146.80	293.60	4.61	5.87	6.55
8 years .... (6/1/75)	14.88	29.76	148.80	297.60	4.68	5.95	6.71
8½ years .... (12/1/75)	15.13	30.26	151.30	302.60	4.75	6.05	6.94
9 years .... (6/1/76)	15.33	30.66	153.30	306.60	4.81	6.13	7.36
9½ years .... (12/1/76)	15.53	31.06	155.30	310.60	4.86	6.21	8.55
10 years (maturity) .... (6/1/77)	**21.38**	42.76	213.80	427.60	**5.01**	8.55	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1967. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 35

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1967 THROUGH MAY 1, 1968

Face value					Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000	$10,000			
Redemption[1] and maturity value	500	1,000	5,000	10,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	*Percent*	*Percent*
½ year (6/1/68)[2]	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.37
1 year (12/1/68)	9.70	19.40	97.00	194.00	3.03	3.88	4.41
1½ years (6/1/69)	10.75	21.50	107.50	215.00	3.45	4.30	5.00
2 years (12/1/69)	10.85	21.70	108.50	217.00	3.66	4.34	5.05
2½ years (6/1/70)	11.00	22.00	110.00	220.00	3.81	4.40	5.60
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
3 years (12/1/70)	11.20	22.40	112.00	224.00	3.91	4.48	5.70
3½ years (6/1/71)	11.35	22.70	113.50	227.00	4.00	4.54	5.81
4 years (12/1/71)	11.55	23.10	115.50	231.00	4.07	4.62	5.92
4½ years (6/1/72)	11.75	23.50	117.50	235.00	4.13	4.70	6.06
5 years (12/1/72)	11.90	23.80	119.00	238.00	4.19	4.76	6.21
5½ years (6/1/73)	14.14	28.28	141.40	282.80	4.31	5.66	6.28
6 years (12/1/73)	14.34	28.68	143.40	286.80	4.41	5.74	6.35
6½ years (6/1/74)	14.54	29.08	145.40	290.80	4.51	5.82	6.44
7 years (12/1/74)	14.74	29.48	147.40	294.80	4.59	5.90	6.54
7½ years (6/1/75)	14.94	29.88	149.40	298.80	4.67	5.98	6.66
8 years (12/1/75)	15.14	30.28	151.40	302.80	4.74	6.06	6.83
8½ years (6/1/76)	15.34	30.68	153.40	306.80	4.80	6.14	7.07
9 years (12/1/76)	15.54	31.08	155.40	310.80	4.87	6.22	7.52
9½ years (6/1/77)	15.74	31.48	157.40	314.80	4.92	6.30	8.80
10 years (maturity) (12/1/77)	**21.99**	**43.98**	**219.90**	**439.80**	**5.07**	**8.80**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1967. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 36

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1968

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	Percent	Percent
½ year .... [2] (12/1/68)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	4.38
1 year .... (6/1/69)	9.70	19.40	97.00	194.00	3.03	3.88	5.00
1½ years .... (12/1/69)	10.85	21.70	108.50	217.00	3.46	4.34	5.05
2 years .... (6/1/70)	11.00	22.00	110.00	220.00	3.69	4.40	5.60
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
2½ years .... (12/1/70)	11.15	22.30	111.50	223.00	3.84	4.46	5.69
3 years .... (6/1/71)	11.35	22.70	113.50	227.00	3.95	4.54	5.79
3½ years .... (12/1/71)	11.50	23.00	115.00	230.00	4.04	4.60	5.90
4 years .... (6/1/72)	11.65	23.30	116.50	233.00	4.11	4.66	6.02
4½ years .... (12/1/72)	11.85	23.70	118.50	237.00	4.17	4.74	6.16
5 years .... (6/1/73)	12.00	24.00	120.00	240.00	4.23	4.80	6.31
5½ years .... (12/1/73)	14.41	28.82	144.10	288.20	4.35	5.76	6.38
6 years .... (6/1/74)	14.61	29.22	146.10	292.20	4.46	5.84	6.46
6½ years .... (12/1/74)	14.76	29.52	147.60	295.20	4.56	5.90	6.55
7 years .... (6/1/75)	14.96	29.92	149.60	299.20	4.64	5.98	6.66
7½ years .... (12/1/75)	15.16	30.32	151.60	303.20	4.72	6.06	6.78
8 years .... (6/1/76)	15.36	30.72	153.60	307.20	4.79	6.14	6.96
8½ years .... (12/1/76)	15.56	31.12	155.60	311.20	4.86	6.22	7.22
9 years .... (6/1/77)	15.76	31.52	157.60	315.20	4.93	6.30	7.70
9½ years .... (12/1/77)	15.96	31.92	159.60	319.20	4.98	6.38	9.06
10 years (maturity) .... (6/1/78)	**22.66**	**45.32**	**226.60**	**453.20**	**5.14**	**9.06**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1968. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 37

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1968 THROUGH MAY 1, 1969

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity[3]
					Percent	Percent	Percent
½ year[2] (6/1/69)	$5.50	$11.00	$55.00	$110.00	2.20	2.20	5.00
1 year (12/1/69)	9.80	19.60	98.00	196.00	3.05	3.92	5.07
1½ years (6/1/70)	11.00	22.00	110.00	220.00	3.49	4.40	5.62
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision							
2 years (12/1/70)	11.15	22.30	111.50	223.00	3.73	4.46	5.71
2½ years (6/1/71)	11.35	22.70	113.50	227.00	3.88	4.54	5.81
3 years (12/1/71)	11.50	23.00	115.00	230.00	4.00	4.60	5.91
3½ years (6/1/72)	11.65	23.30	116.50	233.00	4.09	4.66	6.03
4 years (12/1/72)	11.85	23.70	118.50	237.00	4.16	4.74	6.16
4½ years (6/1/73)	12.05	24.10	120.50	241.00	4.23	4.82	6.30
5 years (12/1/73)	12.20	24.40	122.00	244.00	4.29	4.88	6.47
5½ years (6/1/74)	14.79	29.58	147.90	295.80	4.42	5.92	6.54
6 years (12/1/74)	14.99	29.98	149.90	299.80	4.53	6.00	6.61
6½ years (6/1/75)	15.14	30.28	151.40	302.80	4.63	6.06	6.70
7 years (12/1/75)	15.34	30.68	153.40	306.80	4.72	6.14	6.81
7½ years (6/1/76)	15.54	31.08	155.40	310.80	4.81	6.22	6.94
8 years (12/1/76)	15.74	31.48	157.40	314.80	4.88	6.30	7.11
8½ years (6/1/77)	15.94	31.88	159.40	318.80	4.95	6.38	7.38
9 years (12/1/77)	16.14	32.28	161.40	322.80	5.02	6.46	7.86
9½ years (6/1/78)	16.34	32.68	163.40	326.80	5.08	6.54	9.24
10 years (maturity) (12/1/78)	**23.09**	**46.18**	**230.90**	**461.80**	**5.24**	**9.24**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1968. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed

TABLE 38

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1969

Face value {Issue price / Redemption [1] and maturity value}	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	Approximate investment yield (annual percentage rate)		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination			(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity [3]
				Percent	*Percent*	*Percent*
½ year .... [2](12/1/69)	$8.75	$17.50	$87.50	3.50	3.50	5.10
1 year .... (6/1/70)	12.75	25.50	127.50	4.29	5.10	5.60
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision						
1½ years .... (12/1/70)	12.75	25.50	127.50	4.55	5.10	5.64
2 years .... (6/1/71)	12.75	25.50	127.50	4.69	5.10	5.68
2½ years .... (12/1/71)	12.75	25.50	127.50	4.76	5.10	5.73
3 years .... (6/1/72)	12.75	25.50	127.50	4.82	5.10	5.78
3½ years .... (12/1/72)	12.75	25.50	127.50	4.85	5.10	5.84
4 years .... (6/1/73)	12.75	25.50	127.50	4.88	5.10	5.92
4½ years .... (12/1/73)	12.75	25.50	127.50	4.90	5.10	6.01
5 years .... (6/1/74)	12.75	25.50	127.50	4.92	5.10	6.11
5½ years .... (12/1/74)	15.28	30.56	152.80	5.02	6.11	6.11
6 years .... (6/1/75)	15.28	30.56	152.80	5.10	6.11	6.11
6½ years .... (12/1/75)	15.28	30.56	152.80	5.16	6.11	6.11
7 years .... (6/1/76)	15.28	30.56	152.80	5.22	6.11	6.11
7½ years .... (12/1/76)	15.28	30.56	152.80	5.27	6.11	6.11
8 years .... (6/1/77)	15.28	30.56	152.80	5.31	6.11	6.11
8½ years .... (12/1/77)	15.28	30.56	152.80	5.35	6.11	6.11
9 years .... (6/1/78)	15.28	30.56	152.80	5.38	6.11	6.11
9½ years .... (12/1/78)	15.28	30.56	152.80	5.41	6.11	6.11
10 years (maturity) .... (6/1/79)	**15.28**	**30.56**	**152.80**	**5.44**	**6.11**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1969. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 39

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1969 THROUGH MAY 1, 1970

Face value				Approximate investment yield (annual percentage rate)		
Issue price	$500	$1,000	$5,000			
Redemption [1] and maturity value	500	1,000	5,000			
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination			(2) From issue date to each interest payment date	(3) For half-year period preceding interest payment date	(4) From each interest payment date to maturity [3]
				Percent	*Percent*	*Percent*
½ year [2] (6/1/70)	$8.75	$17.50	$87.50	3.50	3.50	5.60
Amounts of interest checks and investment yields to maturity on basis of June 1, 1970, revision						
1 year (12/1/70)	12.75	25.50	127.50	4.29	5.10	5.64
1½ years (6/1/71)	12.75	25.50	127.50	4.55	5.10	5.67
2 years (12/1/71)	12.75	25.50	127.50	4.69	5.10	5.72
2½ years (6/1/72)	12.75	25.50	127.50	4.76	5.10	5.77
3 years (12/1/72)	12.75	25.50	127.50	4.82	5.10	5.83
3½ years (6/1/73)	12.75	25.50	127.50	4.85	5.10	5.90
4 years (12/1/73)	12.75	25.50	127.50	4.88	5.10	5.98
4½ years (6/1/74)	12.75	25.50	127.50	4.90	5.10	6.07
5 years (12/1/74)	12.75	25.50	127.50	4.92	5.10	6.18
5½ years (6/1/75)	15.46	30.92	154.60	5.02	6.18	6.18
6 years (12/1/75)	15.46	30.92	154.60	5.11	6.18	6.18
6½ years (6/1/76)	15.46	30.92	154.60	5.18	6.18	6.18
7 years (12/1/76)	15.46	30.92	154.60	5.24	6.18	6.18
7½ years (6/1/77)	15.46	30.92	154.60	5.29	6.18	6.18
8 years (12/1/77)	15.46	30.92	154.60	5.33	6.18	6.18
8½ years (6/1/78)	15.46	30.92	154.60	5.37	6.18	6.18
9 years (12/1/78)	15.46	30.92	154.60	5.41	6.18	6.18
9½ years (6/1/79)	15.46	30.92	154.60	5.44	6.18	6.18
10 years (maturity) (12/1/79)	**15.46**	**30.92**	**154.60**	**5.47**	**6.18**	----

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1969. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

APPENDIX

Summary of investment yields during maturity and extended maturity periods under regulations prescribed for Series H savings bonds with issue dates from June 1, 1952.

Issues	Term to maturity (years and months)	Yield* during maturity period	Yield* during extended maturity period (10 years)
6/52- 3/56	9-8	3.00, +0.50	3.75e, +0.40, +0.10b, 5.00, +0.50e
4/56-11/56	9-8	3.00, +0.50	4.15e, +0.10b, 5.00, +0.50e
12/56- 1/57	9-8	3.00, +0.50, +0.40	4.15e, +0.10b, 5.00, +0.50e
2/57- 5/58	10-0	3.25, +0.50, +0.40	4.15e, +0.10b, 5.00, +0.50e
6/58- 5/59	10-0	3.25, +0.50, +0.40	4.25b, 5.00, +0.50e
6/59- 5/60	10-0	3.75, +0.40, +0.10b	5.00e, +0.50e
6/60-11/60	10-0	3.75, +0.40, +0.10b	5.50e
12/60-12/61	10-0	3.75, +0.40, +0.10b, 5.00	5.50e
1/62-11/65	10-0	3.75, +0.40, +0.10b, 5.00, +0.50e	
12/65- 5/68	10-0	4.15, +0.10b, 5.00, +0.50b	
6/68- 5/69	10-0	4.25b, 5.00, +0.50b	
6/69- 5/70	10-0	5.00, +0.50b	
6/70-	10-0	5.50	

*All yields are in terms of percent per annum, compounded semiannually. The first figure in each maturity period is the overall yield for that period at time of entry into the period. Interest payments are on a graduated basis unless otherwise indicated, the full rate being received only if held to the end of the period (lesser rate if redeemed earlier). An "e" indicates payments on a level basis. A "b" indicates increased interest on a bonus basis; that is, the full rate is received only if the bond is held to the end of the period (no increase if redeemed earlier). Rate increases within periods took effect at the beginning of the first full half-year interest period starting on or after the effective date as follows:

0.50—graduated improvement in the rate to next maturity beginning June 1, 1959.
0.40—graduated improvement in the rate to next maturity beginning Dec. 1, 1965.
0.10b—bonus improvement in the rate to next maturity beginning June 1, 1968.
5.00—maximum rate to next maturity beginning June 1, 1969.
0.50e and 0.50b—level and bonus improvements in the rate to next maturity beginning June 1, 1970. In the case of 0.50b the increase is spread over the second 5 years of maturity period.

Exhibit 5.—Department Circular No. 300, December 23, 1964, Third Revision, First Supplement, general regulations with respect to United States securities

TREASURY DEPARTMENT,
Washington, April 7, 1971.

SUBPART O—BOOK-ENTRY PROCEDURE

Sec. 306.115. *Definition of terms.*

In this subpart, unless the context otherwise requires or indicates:

(a) "Reserve Bank" means a Federal Reserve Bank and its branches acting as Fiscal Agent of the United States and when indicated acting in its individual capacity.

(b) "Treasury security" means a Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form of a definitive Treasury security or a book-entry Treasury security.

(c) "Definitive Treasury security" means a Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in engraved or printed form.

(d) "Book-entry Treasury security" means a Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form of an entry made as prescribed in this subpart on the records of a Reserve Bank.

(e) "Pledge" includes a pledge of, or any other security interest in, Treasury securities as collateral for loans or advances or to secure deposits of public monies or the performance of an obligation.

(f) "Date of call" (see Sec. 306.2) is "the date fixed in the official notice of call published in the Federal Register * * * on which the obligor will make payment of the security before maturity in accordance with its terms."

(g) "Member bank" means any national bank, State bank or bank or trust company which is a member of a Reserve Bank.

(h) "Book-entry custodian" means a bank, banking institution, financial firm or similar party, which (1) regularly accepts in the course of its business Treasury securities as a custodial service for customers, (2) maintains accounts in the name of such customers reflecting ownership of or interest in such securities which are deposited in a book-entry account under Sec. 306.117(a)(3) of this subpart with such customers' consent, and (3) complies with the procedures and conditions for maintaining such accounts prescribed by the Reserve Bank maintaining such book-entry Treasury securities.

Sec. 306.116. *Authority of Reserve Banks.*

Each Reserve Bank is hereby authorized, in accordance with the provisions of this subpart, to (a) issue book-entry Treasury securities by means of entries on its records which shall include the name of the depositor, the amount, the loan title (or series) and maturity date; (b) effect conversions between book-entry Treasury securities and definitive Treasury securities; (c) otherwise service and maintain book-entry Treasury securities; and (d) issue a confirmation of transaction in the form of a written advice (serially numbered or otherwise) which specifies the amount and description of any securities, that is, loan title (or series) and maturity date, sold or transferred and the date of the transaction.

Sec. 306.117. *Scope and effect of book-entry procedure.*

(a) A Reserve Bank as Fiscal Agent of the United States may apply the book-entry procedure provided for in this subpart to any Treasury securities which have been or are hereafter deposited for any purpose in accounts with it in its individual capacity under terms and conditions which indicate that the Reserve Bank will continue to maintain such deposit accounts in its individual capacity, notwithstanding application of the book-entry procedure to such securities. This paragraph is applicable, but not limited, to securities deposited:[1]

(1) as collateral pledged to a Reserve Bank (in its individual capacity) for advances by it;

(2) by a member bank for its sole account;

[1] See the Attachment to this subpart for rules of identification of book-entry securities for Federal income tax purposes.

(3) by a member bank held for the account of its customers;

(4) in connection with deposits in a member bank of funds of States. municipalities, or other political subdivisions; or,

(5) in connection with the performance of an obligation or duty under Federal, State, municipal, or local law, or judgments or decrees of courts.

The application of the book-entry procedure under this paragraph shall not derogate from or adversely affect the relationships that would otherwise exist between a Reserve Bank in its individual capacity and its depositors concerning any deposits under this paragraph. Whenever the book-entry procedure is applied to such Treasury securities, the Reserve Bank is authorized to take all action necessary in respect of the book-entry procedure to enable such Reserve Bank in its individual capacity to perform its obligations as depositary with respect to such Treasury securities.

(b) A Reserve Bank as Fiscal Agent of the United States shall apply the book-entry procedure to Treasury securities deposited as collateral pledged to the United States under Treasury Department Circulars No. 92 and 176, both as revised and amended, and may apply the book-entry procedure, with the approval of the Secretary of the Treasury, to any other Treasury securities deposited with a Reserve Bank as Fiscal Agent of the United States.

(c) Any person having an interest in Treasury securities which are deposited with a Reserve Bank (in either its individual capacity or as Fiscal Agent) for any purpose shall be deemed to have consented to their conversion to book-entry Treasury securities pursuant to the provisions of this subpart, and in the manner and under the procedures prescribed by the Reserve Bank.

(d) No deposits shall be accepted under this section on or after the date of maturity or call of the securities.

Sec. 306.118. *Pledges.*

(a) (1) A pledge of book-entry Treasury securities maintained under Sec. 306.117 is effected, notwithstanding any provision of law to the contrary, by a Reserve Bank making an appropriate entry in its records of the amount of the securities pledged.

(2) In addition, a pledge of transferable book-entry Treasury securities maintained under Sec. 306.117(a)(3), or under any other provision of Sec. 306.117 to the extent and in the manner provided under procedures prescribed by the Reserve Bank maintaining the book-entry Treasury securities, may be effected by (i) the making of appropriate entries on the books of a member bank or other book-entry custodian which evidence that such Treasury securities are held by it for the account of the pledgee, and (ii) issuance by such member bank or book-entry custodian of an advice directed to the pledgee reflecting such entries and acknowledging such holding.

(b) The making of such entries under subsection (a) of this section, and issuance of any required advice as provided for in subsection (a)(2) of this section, (i) shall have the effect of a delivery of definitive Treasury securities in bearer form in the amount of the obligations pledged; (ii) shall have the effect of a taking of delivery by the pledgee; (iii) shall effect a perfected security interest therein in favor of the pledgee; and (iv) shall constitute such pledgee a holder.

(c) No filing or recording with a public recording office or officer shall be necessary to perfect any pledge in any book-entry Treasury securities under this subpart.

(d) A Reserve Bank shall, upon receipt of appropriate instructions, convert book-entry Treasury securities into definitive Treasury securities and deliver them to its depositor; and the pledge interest of the pledgee in such book-entry Treasury securities prior to conversion to definitive securities shall continue without interruption to be fully effective with respect to such definitive securities.

Sec. 306.119. *Limitations on transfers or pledges.*

Except as provided in this subpart, book-entry Treasury securities may not be assigned. transferred. hypothecated, pledged as collateral, or used as security for the performance of an obligation.

Sec. 306.120. *Withdrawals and transfers.*

(a) (1) Withdrawals and transfers of book-entry Treasury securities may be made upon a depositor of a Reserve Bank requesting (i) delivery of like definitive Treasury securities to itself or on its order to a transferee, or (ii) transfer to any transferee eligible to maintain a book-entry account in its name with a Reserve Bank under Sec. 306.117.

(2) In addition, a transfer of transferable book-entry Treasury securities maintained under Sec. 306.117(a)(3) may be effected, by (i) the making of appropriate entries on the books of a member bank or other book-entry custodian which evidence that such Treasury securities are held by it for account of the transferee, and (ii) issuance by such member bank or book-entry custodian of an advice directed to the transferee reflecting such entries and acknowledging such holding.

(b) The transfer of a book-entry Treasury security as provided in this section shall have the same effect as a delivery to the transferee of definitive Treasury securities in bearer form. The transfer of book-entry Treasury securities within a Reserve Bank will be made in accordance with procedures established by the latter not inconsistent with this subpart. The transfer of book-entry Treasury securities between Reserve Banks may be made through a telegraphic transfer procedure.

(c) All requests for withdrawal or for transfer must be made prior to the maturity or date of call of the securities. Treasury bonds and notes which are actually to be delivered upon withdrawal or transfer may be issued either in registered or in bearer form, except that EA and EO series of Treasury notes will be issued in bearer form only.

Sec. 306.121. *Delivery of Treasury securities.*

A Reserve Bank shall be fully discharged of its obligations under this subpart by the delivery of Treasury securities in definitive form to its depositor or upon the order of such depositor. Customers of a member bank or other book-entry custodian may receive Treasury securities in definitive form only by making an appropriate demand to such member bank or book-entry custodian.

Sec. 306.122. *Registered bonds and notes.*

No formal assignment shall be required for the conversion to book-entry Treasury securities of registered Treasury securities held by a Reserve Bank (in either its individual capacity or as Fiscal Agent) on the effective date of this subpart for any purpose specified in Sec. 306.117(a). Registered Treasury securities deposited thereafter with a Reserve Bank for any purpose specified in Sec. 306.117 shall be assigned for conversion to book-entry Treasury securities. The assignment, which shall be executed in accordance with the provisions of Subpart F of the regulations in this part, so far as applicable, shall be to "Federal Reserve Bank of ____________________, as Fiscal Agent of the United States, for conversion to book-entry Treasury securities."

Sec. 306.123. *Servicing book-entry Treasury securities; payment of interest, payment at maturity or upon call.*

Interest becoming due on book-entry Treasury securities shall be charged in the Treasurer's account on the interest due date and remitted or credited in accordance with the depositor's instructions. Such securities shall be redeemed and charged in the Treasurer's account on the date of maturity, call or advance refunding, and the redemption proceeds, principal and interest, shall be disposed of in accordance with the depositor's instructions.

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

ATTACHMENT

RECORDS FOR FEDERAL INCOME TAX PURPOSES

There are attached three documents in connection with the book-entry procedure which simplify recordkeeping for Federal income tax purposes. They apply to transferable Treasury bonds, notes, certificates of indebtedness or bills issued under the Second Liberty Bond Act, as amended, and to "any other security of the United States." The quoted term is defined to include a bond, note, certificate of indebtedness, bill, debenture or similar obligation which is subject to the provisions of 31 CFR, Part 306, or other comparable Federal regulations and which is issued by any department or agency of the Government of the

United States, or the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Land Banks, the Federal Intermediate Credit Banks, the Banks for Cooperatives, or the Tennessee Valley Authority.

The three documents are:

(1) The substance of Treasury Department Decision 7081, published in the Federal Register on December 31, 1970;

(2) Revenue Ruling 71-21, published in Internal Revenue Bulletin 1971-3, dated January 18, 1971; and

(3) Revenue Ruling 71-15, published in Internal Revenue Bulletin 1971-3, dated January 18, 1971.

The first document modifies the tax identification rules regarding the determination of basis and holding period of securities held as investments. It applies to the sale or transfer of book-entry securities pursuant to a written instruction by a taxpayer. It permits the taxpayer in its written instruction to its bank or other book-entry custodian, with regard to the sale or transfer, to identify the securities being sold or transferred by specifying the unique lot number which he has assigned to the lot containing them.

The taxpayer may make the specification either—(a) in the written instruction, or (b) in the case of a taxpayer having a book-entry account at a Reserve Bank, in a list of lot numbers with respect to all book-entry securities on the books of the Reserve Bank sold or transferred by him on that date, *provided* the list is mailed to or received by the Reserve Bank on or before the latter's next business day.

These provisions apply only if the taxpayer assigns lot numbers in numerical sequence to successive purchases of securities in the same loan title (series) and maturity date, except that securities of the same loan title (series) and maturity date which are purchased at the same price on the same date may be included within the same lot.

The written advice of transaction furnished to the taxpayer by the Reserve Bank, or by the customer's bank or other book-entry custodian, which specifies the amount and the description of the securities sold or transferred and the date of the transaction is sufficient confirmation. The Reserve Bank need not use or refer to the lot number.

The second document concerns an owner of securities who has assigned sequential numbers to his successive purchases. The owner retains full interest in the securities but transfers them to a bank which has a book-entry account with a Reserve Bank, or to another book-entry custodian which transfers them to a bank which has a book-entry account with a Reserve Bank.

When at a later date the bank instructs the Reserve Bank to sell or transfer securities held in book-entry for its customer, the bank need not refer to the sequential number which had been assigned on the owner's books.

The tax identification requirements are satisfied if the owner's written instruction to his bank or book-entry custodian sufficiently identifies the securities to be sold or transferred and refers to the lot number assigned to them in the owner's books. The bank's instruction to the Reserve Bank will not refer to lot numbers; the Reserve Bank will confirm the sale to the bank in the manner it deems appropriate. The member bank will confirm the sale or transfer to its customer by furnishing a written advice of transaction specifying the amount and description of the securities sold and the date of sale. The confirmation need not refer to lot number.

This document also permits substantially the same kind of identification and confirmation procedures when securities are purchased through the book-entry account for the bank's customers.

The third document provides that a dealer, who properly holds securities in inventory in accordance with section 1.471-5 of the Income Tax Regulations and proposes to transfer them to a book-entry system in a Reserve Bank, will continue to maintain his books and records for Federal income tax purposes with respect to such securities in accordance with section 1.471-5 of the regulations and not section 1.1012-1 of the regulations.

The substantive portion of T.D. 7081, approved December 26, 1970, reads as follows:

TITLE 26—INTERNAL REVENUE

Chapter I—Internal Revenue Service, Department of the Treasury

Subchapter A—Income Tax

PART 1—INCOME TAX; TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953

Identification of Federal book-entry securities

In order to modify the identification rules for purposes of determining basis and holding period of property in the case of certain Federal securities, paragraph (c)(7) of Sec. 1.1012-1 of the Income Tax Regulations (26 CFR Part 1) is amended to read as follows:

Sec. 1.1012-1 Basis of property.

* * * * * * *

(c) *Sale of stock.* * * *.

(7) *Book-entry securities.*

(i) In applying the provisions of subparagraph (3)(i)(*a*) of this paragraph in the case of a sale or transfer of a book-entry security (as defined in subdivision (iii)(a) of this subparagraph) which is made after December 31, 1970, pursuant to a written instruction by the taxpayer, a specification by the taxpayer of the unique lot number which he has assigned to the lot which contains the securities being sold or transferred shall constitute specification as required by such subparagraph. The specification of the lot number shall be made either—

(*a*) In such written instruction, or

(*b*) In the case of a taxpayer in whose name the book entry by the Reserve Bank is made, in a list of lot numbers with respect to all book-entry securities on the books of the Reserve Bank sold or transferred on that date by the taxpayer, provided such list is mailed to or received by the Reserve Bank on or before the Reserve Bank's next business day.

This subdivision shall apply only if the taxpayer assigns lot numbers in numerical sequence to successive purchases of securities of the same loan title (series) and maturity date, except that securities of the same loan title (series) and maturity date which are purchased at the same price on the same date may be included within the same lot.

(ii) In applying the provisions of subparagraph (3)(i)(*b*) of this paragraph in the case of a sale or transfer of a book-entry security which is made pursuant to a written instruction by the taxpayer, a confirmation as required by such subparagraph shall be deemed made by—

(*a*) In the case of a sale or transfer made after December 31, 1970, the furnishing to the taxpayer of a written advice of transaction, by the Reserve Bank or the person through whom the taxpayer sells or transfers the securities, which specifies the amount and description of the securities sold or transferred and the date of the transaction, or

(*b*) In the case of a sale or transfer made before January 1, 1971, the furnishing of a serially numbered advice of transaction by a Reserve Bank.

(iii) For purposes of this subparagraph:

(*a*) The term "book-entry security" means—

(*1*) In the case of a sale or transfer made after December 31, 1970, a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act (31 U.S.C. 774(2)), as amended, or other security of the United States (as defined in (*b*) of this subdivision (iii)) in the form of an entry made as prescribed in 31 CFR Part 306, or other comparable Federal regulations, on the records of a Reserve Bank, or

(*2*) In the case of a sale or transfer made before January 1, 1971, a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form of an entry made as prescribed in 31 CFR Part 306, Subpart O, on the records of a Reserve Bank which is deposited in an account with a Reserve Bank (*i*) as collateral pledged to a

Reserve Bank (in its individual capacity) for advances by it, (*ii*) as collateral pledged to the United States under Treasury Department Circular No. 92 or 176, both as revised and amended, (*iii*) by a member bank of the Federal Reserve System for its sole account for safekeeping by a Reserve Bank in its individual capacity, (*iv*) in lieu of a surety or sureties upon the bond required by section 61 of the Bankruptcy Act, as amended (11 U.S.C. 101), of a banking institution designated by a judge of one of the several courts of bankruptcy under such section as a depository for the moneys of a bankrupt's estate, (*v*) pursuant to 6 U.S.C. 15, in lieu of a surety or sureties required in connection with any recognizance, stipulation, bond, guaranty, or undertaking which must be furnished under any law of the United States or regulations made pursuant thereto, (*vi*) by a banking institution, pursuant to a State or local law, to secure the deposit in such banking institution of public funds by a State, municipality, or other political subdivision, (*vii*) by a State bank or trust company or a national bank, pursuant to a State or local law, to secure the faithful performance of trust or other fiduciary obligations by such State bank or trust company or national bank, or (*viii*) to secure funds which are deposited or held in trust by a State bank or trust company or a national bank and are awaiting investment, but which are used by such State bank or trust company or national bank in the conduct of its business;

(*b*) The term "other security of the United States" means a bond, note, certificate of indebtedness, bill, debenture, or similar obligation which is subject to the provisions of 31 CFR Part 306 or other comparable Federal regulations and which is issued by

(*1*) any department or agency of the Government of the United States, or

(*2*) the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Land Banks, the Federal Intermediate Credit Banks, the Banks for Cooperatives, or the Tennessee Valley Authority;

(*c*) The term "serially-numbered advice of transaction" means the confirmation (prescribed in 31 CFR 306.116) issued by the Reserve Bank which is identifiable by a unique number and indicates that a particular written instruction to the Reserve Bank with respect to the deposit or withdrawal of a specified book-entry security (or securities) has been executed; and

(*d*) The term "Reserve Bank" means a Federal Reserve Bank and its branches acting as Fiscal Agent of the United States.

SECTION 1012.—BASIS OF PROPERTY—COST

26 CFR 1.1012.1: Basis of property. Rev. Rul. 71–21 [1]

A taxpayer owns as investments Treasury securities and certain other securities described in the new section 1.1012–1(c)(7)(iii)(*a*) of the Income Tax Regulations. The taxpayer owner will assign a lot number to the securities in his books. The numbers will be assigned in numerical sequence to successive purchases of the same loan title (series) and maturity date, except that securities of the same loan title (series) and maturity date which are purchased at the same price on the same date may be included in the same lot.

The owner proposes to retain full interest in the securities but he will transfer possession of them to a bank. That bank will not keep records of the securities by use of the above-described lot numbers. The bank will also take possession of like securities for other taxpayers.

The bank will transfer all of these securities to a book-entry system of a Federal Reserve Bank. The securities will be entries in the book-entry account of the bank and, as such, the securities will no longer exist in definitive form. That account will not reflect the fact that the bank holds securities for several taxpayers.

When the owner wishes to sell certain securities, he will so instruct the bank in writing. The owner's instruction will sufficiently identify the securities to be sold, and will also refer to the lot number assigned in the books of the owner to the securities to be sold. The bank will then instruct, in writing, the Federal Reserve Bank to transfer the securities. The latter instruction will not refer to

[1] Also released as Technical Information Release 1063, dated December 30, 1970.

the pertinent lot number. The Federal Reserve Bank will confirm the sale to the bank in the manner it deems appropriate. The bank will confirm the sale to the owner by furnishing a written advice of transaction specifying the amount and description of the securities sold and the date of the sale. The confirmation will not refer to lot numbers.

When the owner desires to buy additional securities as investments of the kind described in the new section 1.1012-1(c)(7)(iii)(*a*) of the regulations, he will order the bank to purchase them. The bank will instruct the Federal Reserve Bank to obtain the securities and to put them in the bank's book-entry account. The confirmation of the purchase from the Federal Reserve Bank to the bank and from the bank to the owner will be of the nature used for the sale of securities. The owner will assign lot numbers in the manner described above to these purchased securities.

Held, the above procedure is consistent with the tax record requirements of new section 1.1012-1(c)(7) of the regulations. This procedure exemplifies the tax record requirements when securities are transferred by parties to a bank who has an account in the book-entry system of a Federal Reserve Bank. The tax record requirements in the case of a bank who puts its own investment securities in the book-entry system are set forth in new section 1.1012-1(c)(7) of the regulations.

SECTION 471.—GENERAL RULE FOR INVENTORIES

26 CFR 1.471-5: Inventories by dealers in securities.

Rev. Rul. 71-15 [1]

(Also Section 1012; 1.1012-1.)

A dealer, as defined in section 1.471-5 of the Income Tax Regulations, holds Treasury securities and other securities of the United States. "Other securities of the United States" means a transferable bond, note, certificate of indebtedness, bill, debenture, or similar obligation which is subject to the provisions of 31 CFR Part 306 or other comparable Federal regulations and which is issued by (1) any department or agency of the Government of the United States, or (2) the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Land Banks, the Federal Intermediate Credit Banks, the Banks of Cooperative, or the Tennessee Valley Authority.

The dealer properly holds such securities in inventory in accordance with section 1.471-5 of the Income Tax Regulations. He proposes to transfer those securities to a book-entry system maintained by a Federal Reserve Bank. The dealer will continue to maintain his books and records for Federal income tax purposes with respect to such securities in accordance with section 1.471-5 of the regulations.

Held, the dealer is not subject to the provisions of section 1.1012-1 of the regulations relating to identification of property with respect to such securities. Such a dealer must, however, comply with the provisions of section 1.471-5 of the regulations relating to inventory by dealers in securities.

Exhibit 6.—Department Circular No. 653, December 12, 1969, Eighth Revision, Amendment No. 2, offering of United States savings bonds, Series E

Department of the Treasury,
Washington, May 20, 1971.

Department Circular No. 653, Eighth Revision, dated December 12, 1969, and the tables incorporated therein, as amended (31 CFR Part 316), are further amended by revision of paragraph (a), renumbering of subparagraph (2) of paragraph (b) as (3), and insertion of a new subparagraph, numbered (2), in § 316.8; the revision of subparagraph (1), paragraph (b), of § 316.9; and addition of Tables 2-A and 3-A as follows:

[1] Also released as Technical Information Release 1064, dated January 14, 1971.

§ 316.8 Extended terms and improved yields for outstanding bonds.

(a) *Extended maturity periods*—(1) *General.* The terms "extended maturity period," "second extended maturity period," and "third extended maturity period," when used herein, refer to the intervals after the original maturity dates during which owners may retain their bonds and continue to earn interest on the maturity values or the extended maturity values.[8] No special action is required of owners desiring to take advantage of any extensions heretofore or herein granted.

(2) *Bonds with issue dates May 1, 1941, through April 1, 1952.* Owners of Series E bonds with issue dates of May 1, 1941, through April 1, 1952, may retain their bonds for a third and final extended maturity period of 10 years.

(3) *Bonds with issue dates May 1, 1952 through January 1, 1957.* Owners of Series E bonds with issue dates of May 1, 1952, through January 1, 1957, may retain their bonds for a second extended maturity period of 10 years.

(4) *Bonds with issue dates of February 1, 1957, or thereafter.* Owners of Series E bonds with issue dates of February 1, 1957, or thereafter, may retain their bonds for an extended maturity period of 10 years.

(b) *Improved yields.* * * *

(2) *Bonds entering third extended maturity period.* The investment yield (interest) for the third extended maturity period for all outstanding bonds entering this period will be at the rate prevailing for Series E bonds being issued at the time extension begins. Tables showing the yields and the redemption values will be published prior to or as the bonds enter the extension. The yields shown in Tables 2–A and 3–A hereof apply to bonds with issue dates May 1, 1941, and June 1, 1941. Table 3–A will also apply to bonds with issue dates of July 1, 1941, through November 1, 1941, inclusive, unless tables showing different yields are published prior to or as these bonds enter the third extended maturity period.

* * * * * * *

§ 316.9 Taxation.

* * * * * * *

(b) *Federal income tax on bonds.* * * *

(1) Defer reporting of the increase to the year of final maturity, actual redemption, or other disposition, whichever is earlier; or

* * * * * * *

The foregoing revisions and amendments, adopted on April 30, 1971, were affected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c) and 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

[8] The redemption value of any bond at the maturity date, the extended maturity date or the second extended maturity date is the base, in each instance, upon which interest will accrue during the period following.

TABLE 2—A

BONDS BEARING ISSUE DATE MAY 1, 1941

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after second extended maturity (beginning 30 years after issue date)	(1) Redemption values during each half-year period (values increased on first day of period shown) — THIRD EXTENDED MATURITY PERIOD					(2) From beginning of third extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to third extended maturity [2]
						Percent	*Percent*	*Percent*
First ½ year [1](5/1/71)	$50.28	$100.56	$201.12	$1,005.60	$2,011.20	0.00	5.49	5.50
½ to 1 year (11/1/71)	51.66	103.32	206.64	1,033.20	2,066.40	5.49	5.50	5.50
1 to 1½ years (5/1/72)	53.08	106.16	212.32	1,061.60	2,123.20	5.49	5.50	5.50
1½ to 2 years (11/1/72)	54.54	109.08	218.16	1,090.80	2,181.60	5.50	5.50	5.50
2 to 2½ years (5/1/73)	56.04	112.08	224.16	1,120.80	2,241.60	5.50	5.50	5.50
2½ to 3 years (11/1/73)	57.58	115.16	230.32	1,151.60	2,303.20	5.50	5.52	5.50
3 to 3½ years (5/1/74)	59.17	118.34	236.68	1,183.40	2,366.80	5.50	5.51	5.50
3½ to 4 years (11/1/74)	60.80	121.60	243.20	1,216.00	2,432.00	5.50	5.49	5.50
4 to 4½ years (5/1/75)	62.47	124.94	249.88	1,249.40	2,498.80	5.50	5.47	5.50
4½ to 5 years (11/1/75)	64.18	128.36	256.72	1,283.60	2,567.20	5.50	5.52	5.50
5 to 5½ years (5/1/76)	65.95	131.90	263.80	1,319.00	2,638.00	5.50	5.49	5.50
5½ to 6 years (11/1/76)	67.76	135.52	271.04	1,355.20	2,710.40	5.50	5.52	5.50
6 to 6½ years (5/1/77)	69.63	139.26	278.52	1,392.60	2,785.20	5.50	5.49	5.50
6½ to 7 years (11/1/77)	71.54	143.08	286.16	1,430.80	2,861.60	5.50	5.51	5.50
7 to 7½ years (5/1/78)	73.51	147.02	294.04	1,470.20	2,940.40	5.50	5.50	5.50
7½ to 8 years (11/1/78)	75.53	151.06	302.12	1,510.60	3,021.20	5.50	5.51	5.50
8 to 8½ years (5/1/79)	77.61	155.22	310.44	1,552.20	3,104.40	5.50	5.49	5.50
8½ to 9 years (11/1/79)	79.74	159.48	318.96	1,594.80	3,189.60	5.50	5.49	5.50
9 to 9½ years (5/1/80)	81.93	163.86	327.72	1,638.60	3,277.20	5.50	5.52	5.50
9½ to 10 years (11/1/80)	84.19	168.38	336.76	1,683.80	3,367.60	5.50	5.49	5.49
THIRD EXTENDED MATURITY VALUE (40 years from issue date) (5/1/81)	86.50	173.00	346.00	1,730.00	3,460.00	[3] 5.50		

[1] Month, day, and year on which issues of May 1, 1941, enter each period.

[2] Based on third extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to third extended maturity date is 3.86 percent.

TABLE 3-A

BONDS BEARING ISSUE DATE JUNE 1, 1941[1]

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	100.00	500.00	1,000.00			
Period after second extended maturity (beginning 30 years after issue date)	(1) Redemption values during each half-year period (values increased on first day of period shown)					(2) From beginning of third extended maturity period to beginning of each half-year period	(3) From beginning of each half-year period to beginning of next half-year period	(4) From beginning of each half-year period to third extended maturity[3]
	THIRD EXTENDED MATURITY PERIOD							
						Percent	*Percent*	*Percent*
First ½ year [2] (6/1/71)	$50.80	$101.60	$203.20	$1,016.00	$2,032.00	0.00	5.51	5.50
½ to 1 year (12/1/71)	52.20	104.40	208.80	1,044.00	2,088.00	5.51	5.48	5.50
1 to 1½ years (6/1/72)	53.63	107.26	214.52	1,072.60	2,145.20	5.50	5.52	5.50
1½ to 2 years (12/1/72)	55.11	110.22	220.44	1,102.20	2,204.40	5.50	5.48	5.50
2 to 2½ years (6/1/73)	56.62	113.24	226.48	1,132.40	2,264.80	5.50	5.51	5.50
2½ to 3 years (12/1/73)	58.18	116.36	232.72	1,163.60	2,327.20	5.50	5.50	5.50
3 to 3½ years (6/1/74)	59.78	119.56	239.12	1,195.60	2,391.20	5.50	5.49	5.50
3½ to 4 years (12/1/74)	61.42	122.84	245.68	1,228.40	2,456.80	5.50	5.50	5.50
4 to 4½ years (6/1/75)	63.11	126.22	252.44	1,262.20	2,524.40	5.50	5.51	5.50
4½ to 5 years (12/1/75)	64.85	129.70	259.40	1,297.00	2,594.00	5.50	5.49	5.50
5 to 5½ years (6/1/76)	66.63	133.26	266.52	1,332.60	2,665.20	5.50	5.49	5.50
5½ to 6 years (12/1/76)	68.46	136.92	273.84	1,369.20	2,738.40	5.50	5.52	5.50
6 to 6½ years (6/1/77)	70.35	140.70	281.40	1,407.00	2,814.00	5.50	5.49	5.50
6½ to 7 years (12/1/77)	72.28	144.56	289.12	1,445.60	2,891.20	5.50	5.51	5.50
7 to 7½ years (6/1/78)	74.27	148.54	297.08	1,485.40	2,970.80	5.50	5.49	5.50
7½ to 8 years (12/1/78)	76.31	152.62	305.24	1,526.20	3,052.40	5.50	5.50	5.50
8 to 8½ years (6/1/79)	78.41	156.82	313.64	1,568.20	3,136.40	5.50	5.51	5.50
8½ to 9 years (12/1/79)	80.57	161.14	322.28	1,611.40	3,222.80	5.50	5.49	5.50
9 to 9½ years (6/1/80)	82.78	165.56	331.12	1,655.60	3,311.20	5.50	5.51	5.51
9½ to 10 years (12/1/80)	85.06	170.12	340.24	1,701.20	3,402.40	5.50	5.50	5.50
THIRD EXTENDED MATURITY VALUE (40 years from issue date) 6-1-81	87.40	174.80	349.60	1,748.00	3,496.00	[4] 5.50		

[1] Yields also apply to bonds with issue dates July 1 through November 1, 1941, unless tables showing different yields are published. (See Sec. 316.8(b)(2).)

[2] Month, day, and year on which issues of June 1, 1941, enter each period. For subsequent issue months add the appropriate number of months.

[3] Based on third extended maturity value in effect on the beginning date of the half-year period.

[4] Yield on purchase price from issue date to third extended maturity date is 3.89 percent.

Exhibit 7.—Department Circular 905, December 12, 1969, Fifth Revision, Amendment No. 2, offering of United States savings bonds, Series H

DEPARTMENT OF THE TREASURY,
Washington, May 20, 1971.

Section 332.8, paragragh (a), and § 332.10 of Department Circular No. 905, Fifth Revision, dated December 12, 1969, as amended (31 CFR Part 332), have been amended and revised to read as follows:

§ 332.8 Extended terms and improved yields for outstanding bonds.

(a) *Extended maturity periods*—(1) *General.* The terms "extended maturity period" and "second extended maturity period," when used herein, refer to the intervals after the original maturity dates during which owners may retain their bonds and continue to earn interest thereon. No special action is required of owners desiring to take advantage of any extensions heretofore or herein granted.

(2) *Bonds with issue dates June 1, 1952, through January 1, 1957.* Owners of series H bonds with issue date of June 1, 1952, through January 1, 1957, may retain their bonds for a second extended maturity period of 10 years.

(3) *Bonds with issue dates February 1, 1957 through November 1, 1965.* Owners of Series H bonds with issue dates of February 1, 1957, through November 1, 1965, may retain their bonds for an extended maturity period of 10 years.

§ 332.10 Redemption or payment.

A Series H bond may be redeemed at par at any time after 6 months from the issue date. The bond must be presented and surrendered, with a duly executed request for payment, to (a) a Federal Reserve Bank or Branch, (b) the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220, or (c) the Bureau of the Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago, IL 60605. A bond received by an agent during the calendar month preceding an interest payment date may not be redeemed until that date.

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

Exhibit 8.—Department Circular No. 3–67, June 19, 1968, Revised, Amendment No. 1, offering of United States savings notes

DEPARTMENT OF THE TREASURY,
Washington, May 20, 1971.

Department Circular, Public Debt Series No. 3–67, Revised, dated June 19, 1968 (31 CFR Part 342), has been amended by insertion of § 342.2a and amendment and revision of paragraph (b), subparagraph (1), of section 342.5, as follows:

§ 342.2a Extension.

Owners who wish to continue their investment beyond maturity may retain their savings notes for a 10-year period after the maturity date and earn interest upon the maturity value of their notes. The investment yield (interest) will be the rate prevailing for Series E bonds being issued at the time the extension begins. Tables showing the yield and the redemption values will be published prior to or as the notes enter their extension. Interest under these provisions will accrue beginning six months after maturity and at the beginning of each successive half-year period thereafter.

§ 342.5 Taxation.

(b) *Federal income tax on notes.* * * *

(1) Defer reporting of the increase to the year of final maturity, actual redemption, or other disposition, whichever is earlier; or

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

Legislation

Exhibit 9.—An act to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act

[Public Law 92-5, 92nd Congress, H.R. 4690, March 17, 1971]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) is amended by striking out "$380,000,000,000" and inserting in lieu thereof "$400,000,000,000". Public debt limit, increase; 84 Stat. 368.

SEC. 2. (a) During the period beginning on the date of the enactment of this Act and ending on June 30, 1972, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act shall be temporarily increased by $30,000,000,000. Temporary annual increase.

(b) Effective on the date of the enactment of this Act, section 2 of Public Law 91-301 is hereby repealed. Repeal.

SEC. 3. The first section of the Second Liberty Bond Act (31 U.S.C. 752) is amended by adding at the end of the second paragraph the following new sentence: "Bonds herein authorized may be issued from time to time at a rate or rates of interest exceeding 4¼ per centum per annum, but the aggregate face amount of bonds issued pursuant to this sentence shall not exceed $10,000,000,000.". 40 Stat. 502.

SEC. 4. (a) Effective with respect to obligations issued after March 3, 1971, the following provisions of law are hereby repealed: Repeals; effective date.

(1) Section 14 of the Second Liberty Bond Act (31 U.S.C. 765); and

(2) Section 6312 of the Internal Revenue Code of 1954 (relating to payment by United States notes and certificates of indebtedness), and the item relating to such section 6312 in the table of sections for subchapter B of chapter 64 of such Code. 68A Stat. 777. 26 USC 6312.

(b) The Second Liberty Bond Act is amended by adding at the end thereof the following new section: 40 Stat. 288; 81 Stat. 778.

"SEC. 27. In the case of obligations issued after March 3, 1971, under this Act or under any other provision of law, the terms and conditions of issue shall not permit the redemption before maturity of such obligation in payment of any tax imposed by the United States in any amount above the fair market value of such obligation at the time of such redemption. This section shall not apply to any Treasury bill which is issued under the authority of section 5." 31 USC 774.

Exhibit 10.—An act to remove certain limitations on the granting of relief to owners of lost or stolen bearer securities of the United States, and for other purposes

[Public Law 92-19, 92d Congress, S. 1181, May 27, 1971]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (a)–(d) of section 8 of the Government Losses in Shipment Act, as amended (31 U.S.C. 738a), are amended to read as follows: U.S. securities lost or stolen. Relief to owners. 50 Stat. 481

"(a) Under such regulations as he may deem necessary for the administration of this section, the Secretary of the Treasury is authorized to grant relief on account of the loss, theft, destruction, mutilation, or defacement of any security identified by number and description.

"(b) A bond of indemnity shall be required as a condition of relief, whether before, at, or after maturity, on account of any security payable to bearer or so assigned as to become, in effect, payable to bearer which is not clearly proven to have been destroyed. The bond of indemnity shall be in such form and amount and with such surety, sureties, or security as the Secretary of the Treasury shall require. 85 Stat. 74 / 85 Stat. 75

"(c) No relief shall be granted on account of interest coupons claimed to have been attached to a security unless the Secretary is satisfied that such coupons have not been paid and are in fact destoyed or will not become the basis of a valid claim against the United States.

"(d) The term 'security' means any direct obligation of the United States issued pursuant to law for valuable consideration, including bonds, notes, certificates of indebtedness, and Treasury bills, and interim certificates issued for any such security." "Security."

Approved May 27, 1971.

Economic and Financial Policy

Exhibit 11.—Remarks of Secretary Kennedy, October 19, 1970, before the American Life Convention, Washington, D.C., on economic policy and credit flows

Almost 1 year ago today Under Secretary Charls Walker addressed this assembly in St. Louis. He outlined the steps that the administration was determined to take to slow the engines of inflation. Now, I must say that the policies and programs necessary to cool an economy that had become dangerously overheated—and to do so without precipitating a serious recession—have not presented economic policymakers with a quiet year; tough decisions and persistence have been the order of the day.

In my opinion our choice of orthodox economic policies—applied by fiscal and monetary means—has definitely been the right one. Their patient but persistent application has brought important progress in reducing the rate of inflation and restoring stability to the economy.

There have been some deviations from the anticipated pattern of developments and some unfortunate but temporary costs of adjustment. Yet if there is one fact that has become readily apparent from our experience in coping with inflation, it is that the longer the delay in taking effective anti-inflationary action, the greater the distortions that develop within the economy and the greater the time and costs involved in restoring balance when appropriate measures finally are implemented.

Application of monetary and fiscal restraint was necessary to take some pressure out of the vastly overheated economy we inherited at the beginning of 1969. This essential restraining action pointed up many of the economic distortions resulting from 4 years of unchecked inflation.

I want to doubly emphasize that these problems were induced by inflation, and not by the corrective measures employed to contain it. This was nowhere more obvious than in the money and credit markets. Confronted with an interest rate structure vastly elevated by inflation-fed demands, essential monetary policies—resulting in a squeeze on available credit—obviously increased the price of funds. Perhaps even more disruptive, however, was the strength of inflationary expectations in forcing up interest rates.

Primarily because of institutional factors, some borrowers felt the brunt of high interest rates far more than others. Cash flows into thrift institutions oriented toward mortgage markets were impeded. Housing suffered correspondingly.

In addition markets for the tax-exempt obligations of State and local governments were hit hard. A combination of legal interest rate limitations and reduced bank credit availability limited State and local government access to the funds required. As a result, an estimated $4 billion of State and local government issues were postponed or cancelled during 1968 and 1969. Needed capital improvements had to be whittled down or deferred altogether.

One might argue that this is exactly what monetary restraint is designed to accomplish—the deferral of demand for goods and services.

The question, however, was not whether demands should be curtailed, but which demands and by how much. The point to be emphasized here is that the disturbances in the financial markets arising from inflation were not evenly spread, but were concentrated mostly heavily in two socially important, but financially vulnerable, areas of the economy—State and local government financing, and housing. With these two sectors bearing the brunt of limited access to dwindling capital supplies, the administration desired to undertake measures to offset this uneven market impact.

But the same factors that distorted normal patterns of capital flows also limited the remedies that were available. It was absolutely necessary to continue tight control over budget expenditures. This constraint put the Government in search of remedies that would minimize budgetary outlays. This approach toward credit assistance was not new, but its need was accentuated by the very inflationary environment.

Direct Federal loan programs, for example, were phased out in favor of guarantees and Federal interest subsidies, particularly in the area of education and educational facilities. It is estimated, as a result, that a total of $435 million of private money will be made available for academic facilities in 1970 at a cost to the Federal Government of only $10 million in interest subsidies.

In addition, without directly allocating funds itself, the Federal Government has been exerting an expanding influence on the financial markets through the federally assisted credit programs, such as Fannie Mae, the Federal home loan banks and the farm credit agencies.

During the fourth quarter of last year, when mortgage money was particularly scarce, the Federal Government, through the operations of the agencies just mentioned, was providing nearly two-thirds of the available funds for housing. And the proportion for fiscal year 1970 as a whole approached 50 percent.

In general, Federal intervention in the flow of credit and capital has thus far been limited to a variety of subsidies or other incentives to private lenders, or to the actual provision of credit by an agency for specific purposes. However, pressure for more direct controls on private institutions has been evident on a number of occasions during the past year.

Proposals have been discussed in the Congress, for example, which would require certain institutions to allocate fixed proportions of their funds to mortgages. And legislation actually was passed to provide the President with unwanted sweeping authority to regulate credit flows by direct controls.

At this point I want to make one thing clear: Any increased involvement of the Federal Government in the financial markets has been directly precipitated by the inflationary distortions introduced into those markets to such a great degree in the past few years. It is not something this administration has desired or encouraged.

Indeed, President Nixon has successfully resisted efforts to push the Government any more deeply into the business of allocating credit. But there is little doubt that such proposals would have been pressed even harder had not inflationary pressures been reduced this year and a better balance in financial markets restored.

Restoration of the normal pattern of credit flows is indeed progressing as we move along in our efforts to control inflation and resume stable growth. Developments in financial markets over the coming months will be greatly influenced by our ability to maintain responsible control over Federal spending as well as by the monetary and fiscal policies we follow to promote a steady resumption of real growth in the economy. We are clearly now on the right track. Indeed, output is now moving upward. Real gross national product was up moderately in the third quarter, despite the auto workers strike. This marks the second straight quarter of positive real output; and, more importantly, the third quarter rate of advance was greater than experienced in the second quarter.

Therefore, I view the proper stance of the Federal Government to be the continuation of efforts to maintain control over the growth in Federal expenditures while the Federal Reserve is proceeding with a moderate rate of monetary expansion. The continued restoration of balance in the capital markets will depend on how well the economy as a whole responds to our policies. Expansion is projected at a rate consistent with long-range stability.

While both long-term and short-term interest rates are declining, it is generally agreed that they are unlikely to recede to the low levels of the early sixties. Worldwide demand for capital is just too high for that. At the same time, we anticipate no repetition of the historically high levels of the past few years. Removal of inflationary expectations alone—such as we are currently experiencing—argues strongly against such a recurrence.

However, the decline in interest rates will be tempered somewhat by the high demand for loanable funds that is likely to continue, particularly in the long-term area. As the economy picks up so will demands for business investment, housing, consumer credit and State and local capital spending. Many of these demands, particularly, as I mentioned earlier, in the areas of housing and local government financing, have been pent up during the recent period of financial tightness.

The future impact of the Federal Government on the financial markets will depend to a large extent on the degree to which it competes with other borrowers for available funds. This, in turn, will be heavily determined by the projected course of the federally assisted credit programs.

As long as the availability of capital remains tight, federally assisted or guaranteed programs tend to redistribute available funds without increasing them.

Interest rates would remain up and certain other prospective borrowers are therefore squeezed out. Yet as normal savings flows are further restored in the process of returning to economic stability, I look for the impact of these programs on total capital flows to diminish, assuming no further relative growth in the programs themselves.

Of course, the size of Federal Government demands on the Nation's output and funds will be of importance to orderly market behavior.

In this light, the President's intentions to hold Federal outlays within the level of revenue generated by a high employment economy should have a favorable impact on the credit markets. Keeping fiscal policy in such a stabilizing posture should help to insure that Federal financing requirements remain well within the capacity of the markets and consistent with a continuation of the long-awaited trend toward lower interest rates that is now underway.

When this administration came into office the Nation was in the fourth year of an inflationary binge. Some observers urged that we institute complicated controls which would have piled regulation upon regulation and enforcement bureau upon enforcement bureau. Others advocated that we plunge the economy into sharp recession, in order to purge us of the rampant inflation.

Instead we chose the traditional and most responsible methods of monetary and fiscal restraint. And we determined that these restraints should not be applied with such suddenness that the economy would skid into a deep decline with the pain that would result.

None of use deny that there has been some pain in this correction. Unemployment went up, capital markets were distorted; but unemployment is not as high as it was in the pre-Vietnam days. Personal income has continued to rise. Industrial production went down far less than in previous economic correction periods. We are now resuming expansion at a rate which will permit continued progress in the effort to reduce the pace of inflation. In this process, we have not suffered the traditional economic recession which so many observers either advocated or predicted.

Our policies have worked and will continue to work. The economy is definitely on the uptick. We expect the economic machinery to keep ticking upward steadily and at a sustainable rate. Such progress will enable us to attain the objective which proved so elusive to the previous administration: A growing economy characterized by high employment and stable prices.

Exhibit 12.—Review by Secretary Kennedy of Department of the Treasury accomplishments during the previous 2 years, January 20, 1971 (issued as a press release)

The Treasury Department's responsibilities and interests cover a broad range of domestic and international matters. Looking back over the past 2 years, I believe it is fair to say that we have been both active and successful in many areas.

Economic policy

For the past 2 years, Treasury has been in the policy forefront of the administration's battle against inflation. By early 1970, excessive demand had been successfully curbed. Now we are dealing with the difficult problem of the cost-push pressures of rising prices and wages while fostering economic expansion.

As is well known, the battle against inflation has been a difficult one because inflation was galloping along when this administration took office 2 years ago. The inflation had been set off by a $25 billion Federal deficit imposed upon an economy operating near full capacity. Looking ahead, we could see two alternatives: Either continue the inflation-generating policy and reap a whirlwind of economic troubles, or encourage a gradual cooling which would cause the economy to level out and recover from the ravages of inflation.

We chose the latter course and imposed restraints on Federal spending, the basic cause of inflation. At the same time, the independent Federal Reserve Board set a parallel course and imposed monetary restraint. The result: The economy—and the rate of inflation—slowed down. Although momentum continued to push prices upward, the annual rate of increase in retail and wholesale prices has been slower over the past year; and we will see further improvement in the months ahead.

Of course, in our measured deceleration from the upthrust of a substantial inflation there has been some real pain. Unemployment has been an area of serious concern.

It should be recognized that the pain—serious as it is—is partly a transient cost of a shift from a wartime to a peacetime economy. The 1971 budget for the first time since 1950 devoted more funds to human resources than to defense needs. It is reasonable to predict that this same emphasis will be reflected in the 1972 budget. Although the unemployment rate rose to an average of nearly 5 percent in 1970, that level was below the 5.7 percent average for the pre-Vietnam years of 1960–64. Neither should we lose sight of the fact that the absolute number of jobs has grown during the 2 years to 79 million from 77 million at the beginning of 1969.

Many of those on the unemployed rolls, as the President points out, are there as a result of the winding down of the Vietnam war, a move applauded by most people.

While we are now trying to keep cost-push pressures under tight rein, at the same time we are encouraging economic growth. A measure of our success is that productivity is on the rise again. As I stated in my recent annual report to the Congress, "Continued gains in productivity, coupled with restraint in wage bargaining and pricing decisions, will be needed in fiscal 1971 in order to restore better balance to the cost-price structure."

The goal of a sustainable, noninflationary high employment rate of growth is not an easy one to reach; but as we move in this direction, the benefits will be widely shared and welcomed. There are encouraging signs in recent statistics. More importantly, the Federal Reserve continues to increase the supply of money, which is a force for a rising economy. The Federal budget this year and the one prepared for next year will be stimulative without being inflationary.

Looking ahead, we do not think the Nation wants a schizophrenic economy, one that is sharply up and then precipitously down. While the medicine we had to administer to bring down the inflationary fever was not always pleasant, as a result of having taken the cure, we are now in the more fortunate position of fostering an economy which will move upward at sustainable rates.

Tax reform

Treasury has played a major role in helping to secure equitable taxation for all citizens through the Tax Reform Act of 1969. Treasury experts worked closely with the Congress in the development of the final version of the act, which makes the following important reforms among others: A large number of high-income persons who had paid little or no Federal income tax previously must now pay their fair share; the tax liabilities of more than 9 million people who are at or below the poverty level have been reduced by the low income allowances; the use of the simple standard deduction has been increased to benefit 31 million taxpayers; and tax-free foundations have been brought under closer scrutiny without restraining their legally sanctioned activities.

A major accomplishment of the tax counsel division of Treasury and its Internal Revenue Service was the writing of regulations required by the provisions of the 1969 act. The act required 179 sets of regulations, and at yearend all but six had been completed or were in the final stages of completion. Counting 24 temporary regulations, the Department proposed and wrote more regulations in 1970 than in any other year.

Law enforcement

As the Nation's second largest law enforcement agency, Treasury has in the past 2 years intensified the war on crime with a host of new activities. Treasury added 915 customs employees to aid in the drive against drug smuggling; implemented the new Executive Protective Service to help protect foreign missions in Washington; and established a system to hire and train the men who will become the permanent sky marshals for the Department of Transportation.

Treasury has also supplied almost half the experts for the strike forces working against organized crime under direction of the Justice Department and has set up procedures for licensing the sale of explosives under the new law against terrorist bombing. In addition, Treasury has established the new Consolidated Federal Law Enforcement Training Center, which will provide more professional training facilities for officers of both Treasury and other U.S. agencies.

Treasury's capabilities in law enforcement were demonstrated fully during the 25th anniversary of the United Nations this past fall, when Treasury's Secret Service Bureau protected 45 heads of state over a period of several days.

Treasury has also been instrumental in fostering legislation to limit the use of secret foreign bank accounts to further unlawful purposes, without unduly hampering legitimate banking operations.

International finance

In the international field, Treasury obtained final agreement on the new world reserve asset, special drawing rights (SDR), which helped strengthen the world monetary system. Significantly, Treasury successfully urged the issuance of SDR's in amounts which world trade requires. Treasury has also worked to increase U.S. use of multilateral institutions as a means of aiding developing nations.

Savings bonds

In the area of interest rates, Treasury proposed, and Congress approved, an increase in the interest rates on U.S. savings bonds, which are held by millions of Americans who save. And, at the same time, Treasury's fiscal policies are now fostering a steady decline in the interest rates that the Government must pay in the market place when it borrows the huge sums involved in Treasury financing operations.

Financial institutions

Treasury has been the prime mover in promoting legislation to prevent over-concentration in the banking field, through passage this session by the Congress of the one-bank holding company bill. A section of this bill, incidentally, provides for the issuance of a dollar coin honoring President Eisenhower.

The Treasury also was responsible for the administration's part in drafting the recently enacted legislation to establish a Securities Investor Protection Corporation (SIPC). This corporation will insure investors against losses caused by failure of broker-dealer firms. It does not protect investors against market losses.

Under the plan each investor will be protected up to a maximum of $50,000 for cash and securities maintained with brokers and dealers. Of the $50,000 total no more than $20,000 may be in the form of cash balances left with broker-dealer firms.

All broker-dealer firms registered under the Securities and Exchange Act and members of national securities exchanges are required to be members of SIPC. Through industry assessments SIPC will establish an insurance fund that will be backed by additional borrowing authority of up to $1 billion from the Treasury.

Housing

To help solve the Nation's housing shortage, Treasury officials persuaded commercial banks, life insurance companies and pension fund trustees to increase their investment in residential mortgages (or mortgage-backed bonds) in 1970. At the same time, Treasury issued new regulations to aid low-income housing through new tax incentives. And, partly to help steer money into the housing markets, Treasury raised the minimum denomination of Treasury bills from $1,000 to $10,000 in an action that slowed the outflow of money from savings institutions.

Minority enterprise

In the administration's campaign to support minority enterprise efforts, Treasury has worked with banks to increase the minority employment and to develop a new program in cooperation with other federal agencies to increase the flow of federal funds into minority-owned banks.

Environmental protection

Cooperating in the fight to save the environment, Treasury now destroys worn-out currency by maceration rather than by burning. Treasury has proposed a tax on lead additives in gasoline to spur conversion from leaded to unleaded gasoline. In addition, Treasury has proposed the creation of an Environmental Financing Agency to support the purchase of local obligations for waste treatment plants for localities that would otherwise not be able to obtain reasonably priced credit.

Trade

In the trade area, Treasury has expedited action against unfair trading practices of foreign companies trying to dump goods in the United States at prices lower than those in the home country. At the same time, through the Customs Bureau, Treasury has extensively modernized antiquated customs procedures and taken new actions against criminals operating at such major entry points as Kennedy Airport in New York City.

Unfinished business

We have not accomplished all that we had hoped in the past 2 years, and much remains to be done.

Perhaps of most national public importance is the innovative plan for sharing Federal revenues which we developed in conjunction with State and local governments. Although Congress has not yet held hearings on the plan, we believe that it will become the most significant opportunity for improving the Nation's financial structure through action in 1971.

Another Treasury proposal that was not acted upon by Congress was the idea of creating the Domestic International Sales Corporation (DISC). The purpose of DISC is to encourage domestic corporations to establish export subsidiaries here in this country, rather than establish manufacturing subsidiaries abroad, thus supporting domestic employment. It would equalize tax treatment between domestic corporations manufacturing for export and overseas subsidiaries of U.S. corporations. DISC would not only encourage exports which would improve the Nation's balance of trade, it would also help to save jobs for the American labor force.

We hope that the new Congress will move promptly to enact this important legislation.

Exhibit 13.—Remarks by Under Secretary Walker, November 10, 1970, before the annual convention of the United States Savings and Loan League, San Francisco, Calif., on the Treasury views of the savings and loan industry

I

I accepted your kind invitation to speak since it offers an excellent opportunity to tell the savings and loan industry how the Treasury views the vital role that you and your institutions play in our economy—in short, we believe you can and will contribute significantly to this Nation's economic and social progress, particularly in your special field of housing, in the decade of the seventies.

This "track record" in the 1970's will no doubt be a welcome contrast to that of the 1960's. In those years your industry was severely buffeted by competitive factors—first, in the credit crunch of 1966 and second, in the recent period of high interest rates and tight money. In both periods the industry suffered from competitive pressures—partly from commercial banks; more importantly, from the market for Government and corporate securities. As you know only too well. such pressures severely crimped the ability of your institutions to perform their major function of financing housing.

A brief review of how these pressures came about—familiar though it might be to you—should cast light on what must be done both now and in the future to make certain that your industry can contribute as it should to solving our Nation's financial problems.

II

Your industry, which was relatively small at the end of World War II, came along at precisely the right time to help finance and benefit from the tremendous postwar housing boom in the United States. This had both a good aspect and a bad aspect. The good aspect was, of course, that a pressing social need was fulfilled. The bad aspect was that until 1966 the industry had not been subjected to anything other than a relatively rapid increase in share accounts, and this rather easy accumulation of funds failed to put S&L managements to the tests of financial adversity.

While the increase in share accounts was partly a reflection of the housing boom, it was also a reflection of the competitive sluggishness of commercial banks in those days and of the regulatory scheme governing those banks. Until the 1960's, most commercial banks seemed to have little interest in competing with savings and loan associations, either in gathering funds or in making housing loans.

This changed significantly in the 1960's. A new generation of commercial bankers came into the picture, bankers interested in competing aggressively for savings funds. This change was reflected by the fact that time deposits with commercial banks—which, in dollar amount, were only 60 percent of demand deposits in 1960—caught up to and sprinted past demand deposits by 1965. In that 1960–65 period, time deposits doubled from $73 billion to about $147 billion, while demand deposits increased much more slowly, from $122 billion to $143 billion.

In the 1960's there was also a gradual lessening in the degree of restriction of interest rate controls, which until 1966 applied only to commercial banks and savings banks and did not apply to savings and loan associations. What happened in 1966 was most interesting and most instructive.

The tight money situation in 1966 was a direct outgrowth of the economic overheating brought on by the rapid increase in spending on both Vietnam and domestic programs. By default, monetary policy was forced to fill the gap.

But that's an old story that need not be recounted in further detail. Suffice it to say that, as a result of the 1966 credit crunch, a number of significant developments took place.

III

First, it was soon clear that with interest rates going up, at that time, to the highest levels that had prevailed since the 1920's. The S&L's—which held many billions of dollars of old mortgages brought into their portfolios at low rates—were in no position to compete with commercial banks whose portfolios on average turned over much more quickly. The S&L's found their competitive position vis-a-vis these commercial banks to be precisely the reverse of what it had been in the preceding 20 years.

Second, despite this increased competition from commercial banks, the real villian in the picture in those days was not the competition among financial institutions. It was, rather, the competition from the reemergence of a force which some people thought was new but was not new at all. It was given the tongue-twisting, jaw-breaking name of "disintermediation."

The figures show clearly that the real drain of savings funds in the 1966 period was not from the S&L's to the banks but from the S&L's "and" the banks into the market for Government and other securities.

As a result of this sharp drain, housing starts between the end of 1965 and the latter part of 1966 were cut in half. There was an excessively sharp impact, reflecting in part the past experience of S&L's; their managements were not accustomed to this sort of drain and some managements pulled back sharply on commitments for new housing. This in turn triggered two new developments, the effects of which we still see today.

First, the Congress, in a rather desperate attempt to protect the S&L's from what it thought was excessive commercial bank competition, erected on top of the interest rate control mechanism which had been set up in the 1930's on banks alone, a temporary 1-year regulatory device. This measure increased the flexibility of the Federal Reserve authorities in dealing with time accounts in commercial banks, most importantly by authorizing the Fed to permit commercial banks to pay a much higher rate on "big money" certificates of deposits as contrasted with regular savings accounts.

This action also brought S&L's under regulation Q authority for the first time in history. This meant in essence that regulation Q, which supposedly had been set up initially to protect the safety of financial institutions, would now be used as an allocative device to try to direct the flow of funds into mortgage finance as opposed to other uses.

The second major development arising out of the 1966 crunch was that S&L management learned many lessons in a very short time. This was in one respect fortunate, preparing management to perform effectively during the recent tight money period—a large accomplishment indeed.

IV

What light do these developments cast on the course of action that will permit S&L's to play their proper roles in financing the U.S. economy—particularly homebuilding?

First, and most importantly, you cannot sit back and ever again let the economy become so overheated, as a result of loose fiscal policies, that a situation will be created which subjects your institutions to the sort of disintermediation which you suffered both in 1966 and more recently. You not only have an obligation in this respect; you have the expertise both in your individual institutions and in your national trade associations to monitor what the Congress and the administration are doing in economic policy, and to speak out when you think we people in Washington are not doing the right thing.

Secondly, you can reduce the prospects for disintermediation by supporting the removal of the archaic 4¼ percent interest rate ceiling on Treasury securities of more than 7 years' maturity. Removal of the ceiling would be additional insurance against the sort of disruptive disintermediation that has been your bane in recent years.

The case for repeal of this vicious restriction is so compelling that it is almost incredible that it has survived for so long. The 4¼ ceiling has remained unchanged since 1918—a period of more than half a century during which extensive changes have occurred in financing techniques. Since the first request for its repeal by Treasury Secretary Anderson in mid-1959, all that the Congress has been willing to do is to increase the allowable maturity from 5 years to 7 years.

In the meantime, since 1965 the Treasury has been unable to sell any longer term securities, and the average maturity of our marketable debt is now down to a shocking 3 years and 7 months. In operational terms, this shortening of the debt meant that the Treasury had to refinance some $21 billion of maturing notes and bonds in fiscal 1970, compared with less than $14 billion in 1966, a jump of more than 50 percent.

As citizens you should be concerned about the effect of the ceiling in the financial markets. And, as businessmen, you should be equally concerned because the 4¼ ceiling is a significant factor in causing disintermediation in periods of high activity and tight money. The conventional wisdom in the late 1950's relative to this ceiling was that if it were removed, the Treasury would provide direct competition for the mortgage market.

The experience in the "magic five" episode in 1959 convinced a lot of mortgage and housing people that wasn't the case, and experience in 1966 and 1969–70 should underscore that even more forcefully. These experiences demonstrated that the small saver who is either pulling his money out of the S&L, or putting his new money somewhere else, is looking not at the long-term Treasury security. There is too much risk involved in those for his taste. He looks at short-term securities—securities certainly less than the 7 years to which the Treasury is confined.

The process is a simple one. As a consequence of the artificial restriction which the ceiling imposes, Treasury is forced to borrow much more short-term than it should borrow, and short-term interest rates are kept higher than they would otherwise be. This greatly increases the attractiveness of the disintermediation process to the saver who is primarily interested in short-term securities.

These effects were clearly demonstrated last winter when the Treasury bill rate went up to a historic 8 percent and flows out of your institutions were large indeed. Our action in raising the minimum purchase denomination on Treasury bills from $1,000 to $10,000 contributed significantly to a reduction in this disintermediation. There were other factors; among the most important has been the drop in the Treasury bill rate from 8 percent early this year to less than 5¾ percent at the present time.

In summary then, I assert that disintermediation results primarily from competition in the short area. If so, it's very much in your interest, as well as the public interest, for the archaic interest rate ceiling to be removed. We could then manage the debt in a flexible and balanced manner and not continually refinance in a less than 7-year period.

V

I think it's appropriate at this point to join an issue on which many of you have rather forcefully made your views known to us—through the mails, over the telegraph wires, over the telephone, and even in person. That is the complaint we have received in recent months, and particularly as an outgrowth of the August refunding, from many in the housing and home finance industry that we have dealt in bad faith with your industry because we did not raise the minimum denominations on Treasury notes at the same time we raised it on Treasury bills.

That is an unacceptable recommendation.

There are arguments obviously for and against the Treasury willingly cutting itself out from a given market, which we were willing to do in the case of Treasury bills for a number of reasons. Even so, we got a great deal of criticism from consumer interests and others saying that we were being unfair by not permitting your consumers to invest directly at these higher rates in Treasury bills.

We had what we thought were good overriding reasons, in the best interests of the housing market and in the best interests of the public. The diversion of savings into Treasury bills contributed to the interruption of the orderly flow of funds into the housing mortgage market, thereby aggravating the problems of homebuyers and the already depressed housing industry. The extraordinary volume of small individual transactions in bills, which provide neither an important nor a dependable source of funds to the Treasury, began to overtax existing market facilities to the point where the effectiveness of this basic source of Treasury finance was becoming impaired.

In addition, the direct costs to the Government of issuing very small denominations were excessive in relation to the volume of funds attracted. Analysis of these costs indicated that the processing cost for subscriptions submitted by individuals to the Federal Reserve Banks amounts to approximately $15 to $20 per item. This is equivalent to an additional interest cost of 1.2 to 1.6 percent for a typical $5,000 sale of a 3-month bill and to more than ½ percent for 6-month bills. These costs were proportionately more for smaller transactions.

Furthermore, the sizable charges placed by middlemen to cover their costs were reducing the net return to investors well below the quoted yield. Then, too, there were significant risks of loss to small investors without adequate and convenient means of safeguarding holdings of these bearer securities, which must be handled like cash by the investor.

We believed that raising the minimum bill denomination would help maintain an adequate flow of funds into mortgages, would halt the deterioration of the market's ability to handle normal activity, and would dampen the increase in costs resulting from the extraordinarily large volume of small transactions in bills.

I cannot emphasize enough the fact that, at the same time when we announced the change in minimum bill denomination last February, we also announced that the increase in minimum denominations would not apply to Treasury notes and bonds.

Cost and market factors simply did not support such a change then, and they do not now. The risks and costs to the Government and to the investors are substantially less in the case of notes and bonds. These readily available securities, which afford investment for periods of 1 year or more, are available in registered form, more suitable for individuals. The transaction costs are spread over a longer period of time so their impact on interest returns or Government costs is substantially reduced.

As for the offerings of Treasury notes for cash in May and August, these were not designed to attract individual interest but rather to accomplish the task of refunding billions of dollars of maturing securities in the most efficient manner from a debt management viewpoint. The Treasury did nothing to encourage small investors to purchase these securities. While the large oversubscription in the August financing might indicate that it was not necessary to have small denominations to achieve the funding requirements, one must consider also the obvious inequity of denying the small saver the opportunity to invest in liquid securities issued by his Government if he is willing to accept the market risk that investment in such securities entails.

To say that our longer term securities should be cut away from the individual savers and that they should be forced to put all of their eggs in the intermediary basket seems to me to be going too far. Uncle Sam has just as much right to go directly to the small investor, either through savings bonds, or in moderate amounts through the Treasury note market, as any other borrower in this country. It is only when we let the basic mechanism of the market get out of whack, when we let the economy get overheated that this really becomes a problem.

I must say that, although we recognize that certain individual institutions were hit hard for short periods of time in the August refinancing, I am not impressed with the overall strength of the argument when I look at the very satisfying turnaround in the flows of funds in your institutions in recent months—and that includes the month of August when this financing took place.

We shall use our powers judiciously. We will not intentionally come in and slug your markets, but we are not willing to give up what is a legitimate financing area because, after all, I think you will agree with me the Federal Government must be able to manage its debt flexibly—and if we can't do that, all of us are ultimately going to be in the soup.

VI

Having got that off my chest, I'll now touch briefly on another area of common concern to both you and the Treasury, which will, of course, affect your stake in economic progress. I refer specifically to the effect of the Tax Reform Act of 1969 on S&L's.

As we view it from the Treasury, the general effect of the act in terms of tax equity has been to preserve the relative competitive positions of the various kinds of financial institutions, both in the relationships among themselves and in their relationships to other corporate businesses. Of course, since you are footing the bill, you may not see your tax bite as being quite as equitable.

But the fact that, according to our estimates, the effect of the act will be substantially to equalize the tax burden of commercial banks and S&L's, should remove one of the basic bank objections to a broadening of your functions.

No doubt there will be some differences between the S&L's and the Treasury on certain interpretations of sections of the act. One example is the difference of opinion we have over whether section 1232 of the IRS Code, as amended, applies to deferred income savings plans and certain other deposit arrangements offered by financial institutions. The opinions of the S&L industry, among others, have been taken under advisement after a public hearing, and we have not reached a final conclusion. On such issues it is my hope that we will continue to have open lines of communication between the Treasury and the industry as to the concerns of the industry, for we have always profited from your views.

In at least one area concerning the act, I think we will find broad agreement between the industry and the Treasury. We expect momentarily to issue a temporary regulation which deals with the definition of a savings and loan association under section 7701(a)(19) of the code as amended.

Under the prior law, as you know, one of the requirements for a savings and loan association was that "substantially all" its business must have consisted of acquiring the savings of the public and investing in certain prescribed loans. The Tax Reform Act amended this language to provide that the business must consist "principally" of acquiring the savings of the public and investing in loans.

In conformity with this amendment, the temporary regulation will liberalize both "acquiring the savings of the public" test and the "investing in loans" test specified in the old regulations. The temporary regulation will provide a major simplification of the old "investing in loans" test by eliminating the "sales activity test" which has been the object of intense criticism by the industry.

You may quarrel with some of the particulars of the proposal, but we know that deletion of the "sales activity test" will be welcome relief and will enable many S&L's to more fully participate in vital housing programs, such as the secondary mortgage market program created by the recently enacted Emergency Home Financing Act.

VII

The formulation of regulations and the short-run aspects of the disintermediation problem which I have discussed earlier are very important matters which you have to keep in mind in the day-to-day management of your institutions. But, at the same time, you must keep your long-run goals and problems in mind.

Similarly, when we came into office in January of 1969, we faced some problems that appeared short run. For instance, we were convinced then, and we are more convinced today, that regulation Q is a jerry-built device, a stop-gap mechanism on which neither your industry nor any other part of the financial industry should plan to rely forever as means of stabilizing competition. At the same time, when we came into office in January of 1969—and I so told your legislative conference late that month—we had certain long-term goals in mind for increasing the competitiveness of your institutions. The ultimate goal is to put you on a footing where you can fight side by side with other financial institutions and in the open financial market, without dependence on artificial restrictions or the decisions of bureaucrats as to when the screw should be tightened or relieved.

Unfortunately, in trying to achieve our goals we were not able to develop the relationships that we would like to have with all of the committees in the Congress that deal with these matters. And as the year went on, it became increasingly clear that more and more leaders in all of the affected industries were coming to the conclusion that, after many years of more or less ad hoc approaches to financial legislation, it was time to back off and take a penetrating look at the U.S. financial structure and how it would be likely to behave in the years ahead. Fundamentally, we needed to look at the question of whether the flow of savings in the future would be both adequate and appropriately distributed from the standpoint of economic and social needs.

In a nutshell, this is why the President announced early this February that he would appoint a blue ribbon Commission on Financial Structure and Regulation which would be charged with precisely this responsibility. It would concentrate on studying the deposit-type financial institutions, commercial banks, savings banks, S&L's, credit unions, and even insurance companies and come back to him by late 1971 with recommendations as to how the system should be strengthened and improved.

Today I am not going into detail to discuss the commission. It would not be appropriate. The commission is an independent body. There is no control or influence exerted on it from either the White House, Treasury or any other branch of the Government in Washington.

At the same time, I am quite happy to say that reports from the chairman and members as to their first three meetings have been gratifying indeed. I think that a year from now the commission will come in with a constructive report, and the administration will also be able to take the recommendations—modified, if necessary, as is the prerogative of any President—and send up to the Congress constructive proposals which can work for the long-run benefit of the customers of your institutions as well as for the institutions themselves and the men who run them.

On this count I want to leave you with what I think was the most important charge which, on behalf of the administration, I imparted to the institutional members of the commission at their organizational meeting. Speaking primarily to those members from banks, savings and loan associations, and insurance companies, I emphasized that President Nixon, who expects great things from the commission, had selected the members with extreme care. Although many qualities were, of course, deemed to be important, undoubtedly the most important was the ability to separate the forest from the trees—to see beyond the parochial interests of one's own pursuit and identify the broader public and customer interest flowing out of the activities of financial institutions.

Stated in another way, the studies of the commission, now well underway, may well lead to recommendations for significant structural changes in the very institutions which some of the members represent. I feel confident that the savings and loan men on the commission, Messrs. Edgerton and Gilbert—and indeed, all members of the group—can view these problems in this broader, nonparochial perspective. And this is why I am fundamentally optimistic concerning the work of the commission.

In closing, I would note that these same observations about the commission apply, in an important sense, to you as you manage your own institutions. What's good for the public interest—meaning, in essence, what's really good for the customers you serve—is in the long run always good for the institutions you run.

Thank you very much.

Exhibit 14.—Remarks by Under Secretary for Monetary Affairs Volcker, September 28, 1970, before the annual meeting of the Boston Stock Exchange, Boston, Mass., on economic and financial problems

I must confess to having spent the past week participating in a particular kind of orgy in Copenhagen—an orgy of oratory by dozens of the world's finance ministers at the annual meetings of the International Monetary Fund and

World Bank. There is, I assure you, a group of connoisseurs—a group to which I, myself, aspire—that takes considerable delight in listening to that annual outpouring of words and in appraising the significance of the subject matter. But even we recognize that the art form has its limitations for a general audience.

I will not, therefore, attempt to summarize or elaborate the discussion in all its variety—it ranged from such esoteric technical matters as slightly wider margins for foreign exchange rates to the enormous human challenge of population planning. But I would like to take as my starting point tonight the principal recurring theme of the meetings—the debilitating effects of the spread of inflation through the advanced industrialized countries.

I will readily admit that, in a meeting of finance ministers and central bankers, concern with inflation hardly ranks as sensational news. But this year I suspect the concern was wider and deeper than at any of the 25 earlier meetings of the International Monetary Fund.

The reason is simple. Inflation has become a worldwide disease. Even in those countries already enjoying high living standards and accustomed to orderly growth with a high degree of price stability, wage claims and other demands for increased income have substantially exceeded the growth in capacity to expand output.

Among the poorer, developing countries, this same situation has long been endemic. But I was interested in Copenhagen to hear the extent of the concern among representatives of those same countries that their own efforts to achieve stability and promote development are now being undermined by the spread of inflation in the industrialized world.

As you know, the United States has not been exempt from this general pattern. In fact, after a relatively good price record over a period of years, prices began rising steadily, and with growing momentum in the latter half of the 1960's somewhat earlier than in many important European countries. By the time President Nixon took office, inflation plainly represented the major challenge to the economy. Measures to deal with it properly assumed a first priority in the President's economic program.

The need to cool off an economy that had become dangerously overheated—and to do so without precipitating a serious recession—has not led to a comfortable term of office for economic policymakers. Tough decisions and persistence have been the order of the day. But now—after many long months of waiting—Secretary Kennedy was able to report to his fellow ministers more hopeful news. Concrete results are beginning to emerge from our efforts.

For instance, the rising trend of wholesale prices of industrial goods—which are a good barometer of the pricing environment in industry—tapered off to a rate of litle more than 2½ percent per year over the summer. That is still too high—but it is far better than the 4 percent rate maintained last year. Consumer prices, heavily weighted with services where price increases tend to be most persistent, have been slower to respond, but they are not exempt from the easing trend. Those prices moved 6 percent higher in 1969; the rate of increase remained close to that figure over the first half of 1970; but, in July and August, the rate dropped to 3.6 percent. At the same time, rising productivity in industry and reduction in costly overtime hours are now helping to moderate pressures on the cost structure.

It is too early to claim that the battle against inflation has yet been won. Obviously, many wage settlements remain far higher than can be accommodated within a framework of price stability. Nor has the progress toward restoring price stability been made without cost. For a time, the real growth of the economy was brought to a standstill. Unemployment—although well below levels associated with recession years—has risen higher than we would like to see it.

Nevertheless, I believe we can fairly claim we are further along the path toward price stability than most other industrial countries. And I also believe that we have laid the ground for further improvement.

The discussions at Copenhagen helped make clear why this past progress—and our future prospects—are vitally important to other countries as well. The inflation since the mid-1960's in the United States steadily undermined our trading and competitive position in world markets. Our traditional trade surplus had diminished almost to the vanishing point.

The full implications of this were obscured for a time by the special controls on capital outflows, as well as by the effects of high interest rates and an exuberant investment climate in the United States. Foreign capital poured into both our stock markets and our money markets in large volume in 1968 and 1969. This permitted us to balance our overall international payments position despite the deteriorating trade position.

But that situation could not last. This year the foreign capital inflow into our stock market has ceased and short-term money market funds have tended to return abroad. As a result, a large basic deficit in our payments has been exposed. Concern about our balance of payments position is rising once again.

Ironically, that concern is expressed just as evidence is accumulating that the needed process of improvement in our trade and current account has begun. But we also need to recognize that restoring a position of solid strength in that respect will take time—that we cannot afford serious relapses if we are to protect the strength of the dollar internationally and enable it to perform its key role in the international monetary system.

Inflation is a complex and stubborn process. We need to learn more about how to deal with it effectively. But I believe one overriding lesson stands out from this whole inflationary episode.

The longer action is delayed in coming to grips with inflationary pressures, the greater the distortions introduced into the economy and the more difficult and costly it becomes to restore balance when action is finally taken.

I think there is broad agreement that our recent economic problems began with the acceleration in the war effort in Vietnam in 1965. Large new demands were suddently imposed on an economy that was already almost fully employed. For too long, there was a refusal to face up to the implications of that decision by cutting spending elsewhere, or by raising taxes, or by some adequate combination of the two. Restrictive monetary policy was asked to carry too much of the burden of restraint and was not up to the task of dealing with inflation almost singlehanded in the face of high budgetary deficits.

The reason that delay was costly is not difficult to understand. There is a momentum to economic activity that can be self-reinforcing. As soon as a certain rate of inflation comes to be expected, it becomes imbedded in the millions of individual decisions on investment, consumption and saving, and wages and interest rates that collectively determine the course of the economy. And the decisions made today on wage contracts, interest rates, and many prices will affect the cost and price environment for some time into the future.

Obviously, once an inflation psychology of this sort begins to permeate the decisionmaking process, the problem of slowing inflation becomes far more difficult. It is not simply a matter of squeezing out the excess demand that had been the initial source of trouble. The economic environment must be changed for a long enough period of time to change expectations and work through earlier distortions.

This is the reason why we have had to pay the price of three consecutive quarters in which there was—on balance—virtually no growth in real output at all. There may still be some who think that this was a price that needn't have been paid—in the sense that inflationary pressures could have eased without this much pause in economic growth. I would remind them that we were well into the spring of this year—after 6 months of essentially level output—before decisionmakers became generally convinced that the excessive demand pressures that had plagued the economy had at least been brought under control. One piece of evidence—but not the only one—is that longer term interest rates remained at peak levels, reflecting the combined desire of investors for interest rates that included a large "inflation premium" and the willingness of borrowers to commit to those rates for long periods in the future. For a time, there was a kind of economic "credibility gap." The price indexes had not yet reflected much progress, and there was a widespread belief that the pause in economic activity could quickly yield to renewed inflationary exuberance.

The cost of no growth can be measured in economic terms—in the amount of output lost. Or it can be measured in social terms—in the increase in unemployment that accompanies a pause or slow growth. There is no doubt that control of inflation has exacted these real costs. Nor is there any doubt, in my view, that these costs were higher because inflation was allowed to take root for so long.

Before this audience, I would like to emphasize another aspect of the costs of delayed action—the costs reflected in distortions in financial markets. No matter to what sector of the financial markets one turns, the cumulative pressures of prolonged restraint left their mark on the institutions involved and the clients they served.

This was perhaps most obvious in the drying up of the cash flow of thrift institutions traditionally oriented toward mortgage markets. Those institutions had been in the habit of borrowing short to lend long, leaving them vulnerable to a violent upward shift in the entire structure of interest rates. Policy loans were also playing hob with the ability of life insurance companies to maintain the flow of commitments that assure orderly financing in the capital markets.

There is sometimes a tendency to blame official interest rate ceilings for these interrupted flows of funds. In some cases, these may have been a contributing factor, but it is clearly too shallow an explanation. The underlying fact is that the structure of assets and liabilities of many savings institutions is simply not adapted to coping with rapid increases in interest rates. The stresses and strains associated with retention of deposit ceiling would have been compounded by the pressures implicit in competition for funds at rates the institutions could simply not afford to pay, desirable as a competitive freeing of rates may be over the longer run.

Financial institutions were not the only ones to get caught in a liquidity squeeze. All types of borrowers found the pressures mounting, with differing degrees of discomfort and concern. Corporations heavily dependent on short-term debt, with relatively thin margins of equity, were squeezed from two directions—shrinking profit margins and financing difficulty. In the circumstances, we heard talk of an impending liquidity crisis. We can all cite instances of what, in earlier years, was considered aggressive financial management turning out—in the harsh light of a credit squeeze—to have been financial brinksmanship. Even closer to home, so far as this audience is concerned, have been the considerable difficulties of brokerage houses, first asked to cope with a sharply inflated trading volume and then faced with a sharp decline in both stock prices and trading volume.

I mentioned a moment ago that the pressures of prolonged—necessarily prolonged—monetary restraint left their mark not only on institutions but on their customers. Two categories of borrowers come quickly to mind: local authorities and those seeking mortgage funds.

You are undoubtedly familiar with the fact that some $4 billion of State and local government issues are estimated to have been postponed or canceled during the last 2 years. Dependence on commercial banks as the major source of funds during a period when the banks were under increasing pressure meant that costs rose more rapidly and availability shrank faster for local governments than for many other kinds of borrowers not so heavily dependent on a single source of funds. Similarly, though for different reasons, commitments to make mortgage loans dropped off sharply in 1969. Private housing starts fell by some 20 percent between the first and last quarters of the year. Thus, the economic disturbances arising from inflation where not evenly spread, but focused particularly on two socially important, but financially vulnerable, areas of the economy.

Let me sum up the chain of events as I see them. We started with the fact that inflation had been permitted to gather momentum for at least 3 years, from 1965 to 1968, before effective action was taken by the Government to deal with it. By that time, it had become imbedded in the decisionmaking processes of the economy. As a result, it was far more difficult to check than had effective action been initiated earlier. This, in turn, meant that the degree of restraint had to be more prolonged and, in the case of monetary policy in particular, more intense than would have been necessary or desirable had there not been such a late start. Finally, the costs that have been exacted—in terms of higher unemployment rates, houses not built, a weakened trade position, and financial disturbances—are greater than should have had to be paid.

There is one more cost in this chain of events that is worth more emphasis than it has received. That cost is the increased Government involvement in the financial affairs of the Nation. That involvement has not been sought but rather has been thrust upon us in an effort to mitigate the undesirable consequences of prolonged inflationary pressures. This is most evident in the housing field. Federal assistance has reached unprecedented volume in recent years; more than half of all the mortgage credit extended in the past year has been absorbed by such public or quasi-public agencies as FNMA the Farmers Home Administration, and the Federal home loan banks. As one measure of the pressures for Federal financial assistance to credit markets, total lending by the Federal Government and associated agencies was estimated at some $20 billion in President Nixon's 1971 budget, nearly double the amount 2 years earlier.

In particular cases the financial problems of major businesses have raised questions as to the desirability of Federal support in that area—the controversy sur rounding the Penn Central bankruptcy being a leading case in point. The Congress has before it bills that would point toward reestablishment of an RFC-type lending authority for business. Or again closer to home. I am sure you are aware that we are close to passage of legislation that will establish an insurance fund to protect customers of securities brokers or dealers in the event of loss.

In general. this Federal intervention in the flow of credit and capital has so far been limited to a variety of subsidies or other incentives to private lenders or to the actual provision of credit by an agency for specific purposes. But I am frank to say that the pressures for more direct control on private institutions were evident on a number of occasions during the past year. For instance, proposals have been pushed in the Congress to require certain institutions to allocate fixed proportions of their funds to mortgages. Legislation actually passed providing the President with sweeping authority to regulate flows of credit by direct controls.

President Nixon has succesfully resisted these efforts to push the Government even more deeply into the business of allocating credit. But there is little doubt that such proposals would have been pressed even harder had inflationary pressures not been reduced and permitted restoration of a better balance in financial markets.

In a nutshell, I am convinced that inflationary pressures left unchecked would have brought vast and irreversible changes in the American economy. The repercussions would have been worldwide.

Fortunately, we are now in the process of turning back that challenge. The process has not been painless. But it is notable it is being accomplished without precipitating the heavy cost of a sharp recession in economic activity.

We are already reaping some of the benefits. Productivity is advancing once again. Tensions have eased in the credit markets, and interest rates have moved substantially below the century-long peaks established in earlier months. We can look forward to renewed growth in economic activity at a moderate, sustainable pace.

These favorable developments can be consistent with further needed progress on the inflation front. Indeed, if we rekindle inflationary forces in an attempt to do too much too soon. prospects for orderly growth will be undermined.

That was the experience of the second half of the 1960's. We mean to learn from that experience—not repeat it.

Exhibit 15.—Remarks by Assistant Secretary Weidenbaum, October 8, 1970, before the Board of Directors of the Federal Reserve Bank of St. Louis, Little Rock, Ark., on fiscal policy for a period of transition

It is a great personal pleasure for me to address this combined meeting of the Board of Directors of the Federal Reserve Bank of St. Louis and of its Little Rock branch. As a St. Louisian, I am keenly aware of the important contribution that this institution is making to our region.

As an economist, I am perhaps even more aware of the very useful role of the eighth Federal Reserve district in emphasizing the importance of monetary factors in our national economy. I come here to pay tribute to the pioneering work of the bank and its economists even though my own approach to economic policy may differ in some substantial respects. I thought that it might be useful today if I provided some thoughts on that area of economic policy in which I have particular involvement, and that is fiscal policy. Before turning to the outlook for the economy and the budget, I would like to offer some personal observations on the role of fiscal policy.

Only a few years ago, it seemed that fiscal policy was all that mattered. Monetary considerations were largely ignored. In good measure because of the work of economists specializing in monetary policy, I believe that shortcoming has been corrected. As modern economists in general now realize, money, of course does matter. However, as with many things in life, there is always the danger that the correction will be carried too far.

I sense a parallel here with the dentist who sees me as two rows of teeth surrounded by a lot of miscellaneous matter. Similarly, exclusive focus on a single economic variable, no matter how important, is bound to ignore significant characteristics of our complicated economic structure. The fiscal position of the Government, of course, is also important in economic policy and from at least two standpoints. On the one hand, Government spending and taxing have a direct impact on the levels of income and output in the economy and, hence, on the allocation of resources. On the other hand, there is the fiscal effect on credit markets as the Government competes for investment funds to finance its deficits and related Government-sponsored operations.

Impacts of fiscal policy

I thought that it might be helpful if I turn directly to some of the more recent and controversial instances of the use of fiscal policy. Events following the tax cut of 1964 seemed to verify the predictability of fiscal policy in promoting, as forecasted, a substantial expansion in the Nation's output and employment. The belated tax increase of 1968 did not quite live up to that earlier standard of predictability in terms of producing the forecasted behavior in total spending.

The reasons are complex and deserve careful study. It does seem to me that disillusionment with fiscal policy, while understandable, is decidedly premature. My own analysis of the experience with the imposition of the income tax surcharge in 1968 convinces me that changes in taxation do have a visible impact on the allocation of personal income among consumption, taxation, and saving. The available data do show that increases in income taxes, temporary or permanent, do have the desired effects; they do tend—as would be expected—to depress both personal consumption expenditures and personal saving.

However, the precise proportions of these impacts, as we have seen, may vary according to the changing influence of many factors, including consumer expectations concerning the future. Hence, the repercussions may be more modest than had been expected, at least by some analysts, but the results seem to me to be quite clear. A complicating consideration in analyzing the repercussions may be the swamping of effects from tax changes because other factors were operating. This does not mean that the tax changes, per se, were not effective; they may merely be hidden under the surface of more dramatic events.

For example, consumer spending averaged 78.2 percent of personal income in the 18 months before the Federal income tax surcharge was enacted in July 1968, and 77.3 percent in the 18 months after that tax increase became effective. If we make what often is the heroic assumption that all other factors were held constant, it would appear that the 10 percent surcharge caused the proportion of personal income which was devoted to consumption to decline by nine-tenths of 1 percentage point. Similarly, the proportion of income saved dropped by 1.3 percentage points.

A somewhat more sophisticated analysis would make some allowance for the lags that may occur between the time that personal income is changed and a shift in consumer spending patterns is evident. For example, the authoritative study at the University of Michigan by George Katona and Eva Mueller of the 1964 tax legislation revealed a lag between tax action and personal spending of perhaps 6 months or more. For purposes of illustration, let us assume a more modest 3-month lag for the temporary 10 percent increase in Federal income tax rates enacted in 1968.

Hence, let us analyze the relationship between consumer spending and saving in a given quarter of a year and the income received in the preceding quarter. On that basis (see table 1), the imposition of the income tax surcharge was followed by a drop of 1.2 percentage points in the proportion of personal income devoted to personal consumption expenditures and a decline of 1 percentage point in the savings ratio for the time periods under study. In an economy the size of our own, a 1 percentage point shift is quite striking when we translate it into billions of dollars.

TABLE 1.—*Effect of the surcharge on consumer spending and saving—distribution of personal income*

Period	Personal consumption expenditures	Personal saving	Personal taxes, etc.	Total
	Percent	*Percent*	*Percent*	*Percent*
18 months before the tax surcharge:				
Average of quarterly data for January 1967–June 1968	79.8	6.3	13.9	100.0
18 months after imposition of tax surcharge:				
Average of quarterly data for July 1968–December 1969	78.6	5.3	16.1	100.0

NOTE:—Consumption and saving are lagged one quarter (see text).

I suggest that, in retrospect, the direct economic impact of the surcharge was as we should have expected: The major share of the higher taxes came out of funds that consumers otherwise would have devoted to personal consumption expenditures, and the remainder came out of income that would otherwise have been saved and invested. To me this experience vindicates rather than discredits the usefulness of fiscal policy for purposes of economic stabilization.

Our experience to date with the phaseout of the surcharge tends to confirm the pattern of adjustment. Both consumer spending and consumer saving have risen as a proportion of personal income, and, here again, a lagged reaction may be developing. The impact on saving seems to have been greater in the immediate period than it is likely to be in subsequent months when consumers have had time to adjust their consumption patterns to their higher disposable income. Hence we can expect the savings ratio to recede somewhat from its current peak. Certainly, the phaseout of the surcharge has contributed to the higher level of economic activity and, together with appropriate monetary policy, has enabled us to make the current economic adjustment to a less inflationary economy without the customary recession.

Hence, the current wave of skepticism concerning the effectiveness of fiscal policy seems quite ill-advised, and I do sense its ebbing. Although fiscal measures have helped to slow down the economy, what neither fiscal nor monetary restraint has done was to arrest quickly a strong inflationary momentum. This should provide a sobering experience for advocates in either camp.

To this observer, one clear lesson of the last few years is the importance of the Federal fiscal position to money and capital markets. Federal deficits at high employment spell trouble in terms of overstrained financial markets and upward pressures on interest rates.

To be sure, a distinction between "passive deficits" (resulting from economic slowup) and "active deficits" (to stimulate economic growth) still can be made. As economic slowup develops, Federal receipts fall, and, indeed, this was a factor in the more-than-projected deficit of the past fiscal year. This has meant more Federal financing and more pressure in financial markets already feeling the effects of continuing heavy private requirements for liquidity. Interest rates, of course, nevertheless have subsided somewhat—but not yet in as substantial a degree as has characterized many other cyclical slowups. The small decline of yields in both short- and long-term markets has been one manifestation of this.

And as long as the economic adjustment now underway remains small, as it has, the pressure in financial markets will place limits to the decline in yields. The risk is now turning in the other direction—to higher yields—should the recovery now apparently in progress move up too fast. Unfortunately, this could channel the flow of funds to sectors other than those with high national priority—allocation of credit to housing, State and local governments, small businessmen, etc.

Hence, appropriate fiscal policy in an economy of high employment must play a strategic role; the links between fiscal and monetary policies are complex and unbreakable.

Some fiscal skeptics fail to see how a few billion dollars—of government money—can matter one way or another. What some of the critics forget is that the extra federal borrowing, while small relative to total output, impinges on credit markets whose short-run capacity is limited. This can be disruptive in terms of the functioning of markets, the allocation of credit among different classes of borrowers (e.g., for home mortgages), and the level of interest rates.

We do need to recognize the practical limitations under which fiscal policy operates. There are serious barriers to very frequent changes for short-run stabilization purposes. Political restraints may at times result in an inappropriate fiscal policy. Certainly the $25 billion budget deficit in the fiscal year 1968 was a mark of wrong, but not of ineffectual, fiscal policy. In retrospect, we would have hoped that fiscal effects then were weaker than they actually were.

To sum up, there are many sides to the economic elephant around which economists are stumbling and of which we are taking various measurements. Money matters, as do fiscal actions. The state of our economic knowledge does not justify a doctrinaire dismissal of either stabilization policy approach. We have too few effective economic policy tools to be in a position to abandon any.

Indeed, as we examine economic policy in recent periods, we do indeed find that we have continued to utilize fiscal tools. For example, at the President's request, the Congress passed several revenue-raising measures last year which were designed to assist in dampening down a then overheated economy.

The items that I have in mind include extending the 10 percent income tax surcharge from June 30, 1969, to December 31. 1969, and at a 5 percent rate to June 30, 1970. Also, scheduled reductions in selected excises were postponed 1 year (and the administration has asked that these tax reductions be postponed again).

It is clear to me that fiscal measures continue to play an important, but not solitary, role in the execution of national economic policy.

Federal-State-local relations

I would like to turn briefly to an aspect of fiscal and economic policy that often is overlooked in discussions of national trends—the interrelationships between the Federal Government and State and local governments. The Federal Government, as we know, possesses rather potent monetary and fiscal tools which it can use to help promote economic stabilization and growth.

In contrast, State and local governments, far more limited in their fiscal capabilities, are more in the position of reacting to aggregate economic trends. Many local governments, for example, find themselves in a budgetary bind when so much of their income comes from sources not responsive to economic growth, such as the property tax.

Mindful of the financial problems facing State and local governments, the Nixon administration has advanced an innovative program for sharing a portion of Federal revenues with States, counties, and cities. Under the revenue sharing proposal, a percentage of the Federal personal income tax base—the fairly steadily rising total of individual taxable incomes reported to the Internal Revenue Service—will be disbursed each quarter to every State, county, and city in the Nation.

Although revenue sharing will not be a panacea, it should help to strengthen the capability of State and local governments to respond to the needs of their citizens.

The outlook

My own reading of the economic tea leaves leads me to believe that the economy is in the process of turning up while inflationary pressures are being reduced. However, it is important during this period of transition to keep the inevitable month-to-month fluctuations in their proper perspective.

For the period immediately ahead, each month's statistics are not likely to steadily reflect an upturn in the level of economic activity nor a downward trend in the rate of inflation. In fact, a short pause or even a temporary turn for a month or so in some of these statistical series is quite likely and, in some cases, has been occurring. We need to avoid confusing these volatile and temporary fluctuations with changes in the underlying trend.

It is when we examine these underlying trends that we find the basis for the expectations of advancement in the level of economic activity and a continued reduction in the rate of price increases. Perhaps the major and very real change that we have been witnessing is in the general atmosphere of improved expectations.

Despite the current strike in the automobile industry, I anticipate that real GNP will rise in the third quarter of 1970. The results for the fourth quarter will depend in good measure on the extent to which the strike will continue. In any event, I would expect the current work stoppage merely to slow down or interrupt the recovery which is already under way.

My own evaluation of the economic outlook leads me to conclude that the upturn will be moderate enough to be accompanied by continued measurable progress in bringing down the rate of inflation. The performance of both consumer prices and wholesale prices in recent months is quite reassuring on that score: ignoring inevitable month-to-month fluctuations, the trend in 1970 to date shows a dampening in the rate of inflation. My forecast for the coming year is along the same lines: ignoring inevitable month-to-month fluctuations, the outlook is for a further dampening in the rate of inflation. The specific degree of improvement in the price level, of course, will depend in part on the results of decisions in the private sector on wages and other elements of costs and prices.

Given this background of economic developments, the budget situation is a source of considerable attention. It is too early for any definitive statement on the prospects for the fiscal year 1971. There are still actions which can and should be taken on both the revenue and expenditure sides which would hold down the likely deficit to reasonable proportions.

The budget rule announced by the President on recent occasions certainly provides a good and clear guide: to keep expenditures within the limits of the revenues that our Federal tax structure provides at full employment. By following this guideline, we will restore budgetary balance when the economy is operating at full potential.

Keeping expenditures within full employment revenues will not be easy to do, especially if new initiatives are to be pursued, let alone the general updrift in costs of existing programs. It is likely to require hard decisions on the expenditure side—perhaps some program deferrals, reductions and phaseouts.

In the area of military spending, the leading indicators all portend a continued slowdown in dollar terms and a further decline in real terms in coming months. In the longer run the trend of defense expenditures will depend on the course of international developments and this Nation's reaction to them.

In the area of civilian government outlays, I am struck by the cogency of the recent warning of Caspar Weinberger, the Deputy Director of the Office of Management and Budget: "A pilot project normally turns into an essential program in 3 years * * *. The distance from an urgent priority to an untouchable sacred cow is usually no more than 5 fiscal years."

A fiscal policy adequate and proper for the transition to a period of renewed growth but lessened inflationary pressures calls for a tighter control over Federal spending. To keep expenditures within the revenues that can be expected when the economy returns to full employment will require hard choices among alternative spending programs.

There is much talk these days about the need to change our priorities. But there are two parts to the process. The attractive and much easier part of increasing spending for high priority items has, as we would expect, received the great bulk of the attention. We now need to focus on the second and harder step which is necessary in order to achieve the required shift of resources: identifying those programs of lower priority which can be reduced, postponed, or even eliminated and then taking action to do so. Not until this second step is accomplished will the necessary changes in priorities truly be effected.

Revenue Sharing

Exhibit 16.—Remarks by Assistant Secretary Weidenbaum, April 19, 1971, before the Forum on Federalism, St. Louis, Mo., on the case for revenue sharing

Historical introduction

The general concept of revenue sharing goes back to the earliest days of the Republic. In his second inaugural address in 1805. President Jefferson urged that Federal revenue be utilized for "a just repartition * * * among the States * * * applied * * * to rivers, canals, roads, arts, manufactures, education, and other great objects within each State."

In 1836 the Congress endorsed a form of revenue sharing when it voted to distribute surplus Federal funds to State governments. The amount authorized for distribution was $37.5 million. Some $28 million was actually distributed in 1837, almost the same amount as the total Federal expenditures for that year. This money was used for a variety of purposes by the States. Some of it went to capitalizing the State banks, some toward local debt repayment, and some for financing public works construction. The greater part of the distribution, however, was apparently devoted to education.[1]

Since 1837 interest in sharing part of Federal revenues with the States has swelled and then waned again. Today we are in another period of mounting interest.

Modern day interest in unconditional sharing of Federal tax revenues with the States can be traced to the early 1950's when the concept began to emerge again in academic circles. Soon, political leaders were giving it their attention as well. Congressman Frank Bow introduced a bill in 1957 that would have

[1] Murray L. Weidenbaum, "Prospects for Reallocating Public Resources," Washington, D.C., American Enterprise Institute for Public Policy Research, 1967, p. 30.

shared Federal revenues with States, but only for educational purposes. As early as 1958, however, Congressman Melvin Laird—now Secretary of Defense—introduced a general revenue sharing bill.

Much of the credit for bringing the concept to more widespread public attention in the early 1960's has been attributed to Professor Walter W. Heller who, shortly before he retired as Chairman of the President's Council of Economic Advisers, proposed a detailed Federal revenue sharing plan. This plan was developed in cooperation with Dr. Joseph A. Pechman, who headed a task force to develop more fully the basic concepts and specific outlines of a revenue sharing proposal.

In a floor speech tracing the recent history of revenue sharing proposals, Senator Gaylord Nelson stated:

"* * * [Heller's] recommendation did not get serious attention until the spring of 1964, but other pressing matters of fiscal nature prevented this proposal from receiving congressional consideration * * *"[2]

Both parties warmed to the idea during the presidential campaign of 1964, as Senator Nelson notes:

"The Democratic platform of 1964 also stated that its candidates would further 'development of fiscal policies which could provide revenue sources to hard-pressed State and local governments to assist them with their responsibilities.'

"[Senator Barry Goldwater] the Republican candidate * * * also embraced this idea by recommending that a portion of Federal income taxes be returned to the States and that these governments be given a larger share of revenues derived from inheritance taxes."

On October 28, 1964, President Johnson declared the intention of his administration to carry out the platform pledge. He proposed that the Federal Government should make available to State and local governments "some part of our great and growing Federal tax revenues—over and above existing aids."

President Johnson then appointed the task force mentioned above composed of individuals from government and business and headed by Dr. Pechman to study the proposal.

Although the recommendations of this task force have never been made public, the New York Times reported that the group had recommended a revenue sharing scheme and it published what were said to be its basic provisions.

The so-called Heller-Pechman plan was reported to have had the following central features:

Automatic allocation of grant funds. The funds allocated under the plan would be based on a percentage of personal taxable income and distributed automatically to the States and to local governments without the need for separate annual appropriations.

Unrestricted nature of grants. The Federal Government would place no constraints on how these funds could be used, except to preclude their use for highway expenditures.

Balanced distribution formula. Funds would be distributed largely according to population, but this principle would be modified in two respects: First, the per capita amounts would be multiplied by a tax effort factor to provide an incentive for State and local governments to increase their own fiscal effort; second, a small proportion of the total funds available, say 10 percent, would be allocated (again on a per capita basis) to the one-third of the States with the lowest incomes.

Passthrough to local governments. The original plan had no mandatory passthrough to the local governments, but some supporters felt from the beginning that a minimum passthrough should be provided in the legislation.[3]

The Heller-Pechman plan was never proposed by the Johnson administration. Yet interest in the revenue sharing idea did not die. A new burst of support came when, by unanimous vote, the Nation's Republican Governors published a policy paper calling for prompt enactment of the plan. By 1968 support had grown to the point that both party platforms contained specific revenue sharing proposals.

In 1969 the Nixon administration became the first national administration to give such a plan its formal backing. The program was first studied during the

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[2] Senator Gaylord Nelson, floor speech on S. 252, Congressional Record, Jan. 11, 1967.

[3] Joseph A. Pechman, "Revenue Sharing Revisited," in *Financing State and Local Governments*, proceedings of the Monetary Conference, Nantucket Island, Mass. The Federal Reserve Bank of Boston, June 1970, pp. 11–12.

transition period by the President-elect's Intergovernmental Fiscal Relations Task Force. Its report stated:

"The task force recommends that the fiscal year 1970 budget include a program for sharing initially one-half of 1 percent (0.5 percent) of taxable income reported on individual income tax returns (est. $1.75 billion) wih State and local governments on a basis which: Is a supplement to existing Federal aids, encourages maintaining and/or increasing State and local tax effort, is simple and understandable, and is equitable in dividing funds between State and local governments.

"Revenue sharing is an important national policy innovation for two reasons: As a 'fiscal tool' for dealing with the fundamental imbalance between needs and resources among the various levels of government, and as a 'political instrument' for decentralizing the intergovernmental fiscal policies of the Federal Government and giving general decisionmaking authority to elected chief executives at the State and local levels."

The Nixon administration's initiatives

The Nixon administration's commitment to revenue sharing was translated into action just a few months after the inauguration. In April of 1969, while outlining his first legislative program, the President called for "* * * a start on sharing the revenues of the Federal Government, so that other levels of government * * * will not be caught in a constant fiscal crisis." [4]

Soon afterward he called to the White House a representative, bipartisan group of Governors, mayors, and county officials to assist him in developing a more specific revenue sharing approach. One of the key participants of the White House meeting, Governor Daniel Evans of Washington, described the meeting as follows:

"There was remarkable agreement among those attending this meeting over the principles which should be embodied in a revenue sharing proposal. This agreement represents a hallmark in new governmental relations." [5]

The meeting resulted in agreement on what have come to be the basic principles of revenue sharing as presented by the Nixon administration:

1. An automatic distribution each year of a designated portion of the Federal income tax base, based on objective criteria spelled out in law.

2. An equitable sharing of the money among State and local governments, also spelled out in clear formulas contained in Federal law.

3. No "strings" or restrictions on the use of the money. In effect the funds become State and local money which they can spend for any lawful purpose, as they see fit, with the same discretion that they spend their own money.

4. Inclusion of all general-purpose local governments, regardless of size or location.[6] (Many of the earlier plans omitted local governments or only included the largest ones.)

In the course of developing and refining the revenue sharing concept, numerous possible alternatives were considered at one time or another. The main ones analyzed were: (1) Federalization of welfare costs, (2) tax credits, (3) Federal tax reduction, and (4) more categorical grants. Each of these was found to be inferior to revenue sharing as a general fiscal relief measure.

In his address to the Nation on domestic programs on August 8, 1969, President Nixon stressed the necessity of implementing a revenue sharing system as soon as possible. In the portion of that address devoted to revenue sharing he said:

"We can no longer have effective government at any level unless we have it at all levels. There is too much to be done for the cities to do it alone, for Washington to do it alone, or for the States to do it alone.

"For a third of a century power and responsibility have flowed toward Washington, and Washington has taken for its own the best sources of revenue.

"We intend to reverse this tide and to turn back to the States a greater measure of responsibility—not as a way of avoiding problems, but as a better way of solving problems.

"Along with this would go a share of Federal revenues. I shall propose to the Congress next week that a set portion of the revenues from Federal income taxes

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[4] "Domestic Programs and Policies—Messages From the President," House Document No. 91–96, Washington, D.C., U.S. Govt. Print. Off., 1969.

[5] Quoted in Congressional Record, Sept. 23, 1969, p. S11109.

[6] "Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1970," Washington, D.C. U.S. Govt. Print. Off., 1970, pp. 372–374.

be remitted directly to the States with a minimum of Federal restrictions on how those dollars are to be used, and with a requirement that a percentage of them be channeled through for the use of local governments." [7]

A few days later, on August 13, 1969, the President spelled out the details of his specific revenue sharing proposals in a special message to the Congress.[8]

This message was the first Presidential message on revenue sharing in this century. It received immediate and widespread acclaim. It has been enthusiastically endorsed by the National Governors' Conference, the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, the National Legislative Conference and by State and local leaders in every part of the Nation.

The National Association of Counties put it this way:

"We are pleased that the administration's bill has the general wholehearted support of the Nation's mayors and Governors. Certainly, all must enthusiastically concur with the President when he states that one of the purposes behind Federal revenue sharing will be a 'new emphasis on and help for local responsiveness, and to provide both encouragement and the necessary resources for local and State officials to exercise leadership in solving their own problems.'

"The National Association of Counties pledges its wholehearted and enthusiastic support for this much needed harbinger of a basic change in our concepts on federalism." [9]

The Baltimore Sun called it "a bold and broad-visioned proposal." Business Week labeled it a "Compelling idea," and the New York Times stated that it "marks a turning point not only in fiscal policy but in the whole relationship of Federal, State, and local government." [10]

Perhaps that was not too surprising in view of the fact that the Gallup Poll consistently has reported strong approval of the approach to revenue sharing which has been adopted by this administration. In May 1969, the Gallup Poll showed 71 percent in favor of having a percentage of Federal income taxes returned to State and local governments for use as they see fit.

A Gallup survey conducted January 1971 found that support had grown. Fully 77 percent of those responding now endorsed the concept of revenue sharing. Of the remainder 9 percent did not express an opinion. Favorable reaction cut across party lines with large majorities of Democrats (77 percent), Republicans (81 percent), and Independents (73 percent) all in favor of the plan.

On September 23, 1969, Senator Howard Baker, Jr., of Tennessee introduced on behalf of himself and 32 of his Senate colleagues the Revenue Sharing Act of 1969 (S. 2948) which was designed to implement the Nixon program. Companion bills (H.R. 13982–5) were introduced in the House of Representatives by Representative Jackson Betts of Ohio and 75 of his colleagues.

A number of other bills providing for some form of revenue sharing were introduced into the 91st Congress, but no definitive action was taken on any of them. In fact the revenue sharing idea never received a full hearing in the 91st Congress.

The current Federal revenue sharing proposal

The revenue sharing proposal was very painstakingly developed. Many man-months of time and effort went into its design. The details were carefully worked out with knowledgeable representatives of Federal, State and local governments, with private citizens, and with Democrats, Republicans, and Independents. In both concept and detail it is intended to be a nonpartisan plan offered in good faith.

The program of sharing a portion of Federal revenues with State and local governments is an attempt, in effect, to truly federalize the income taxes collected by the Department of the Treasury. The mechanism that was selected for decentralizing the public sector is financial because it is believed that sharing responsibilities and work more effectively within the public sector requires a sharing of the fiscal resources necessary for the task, that is, a sharing of public revenues.

Before getting into the details, one fundamental point needs to be made. Revenue sharing is not just another program for distributing Federal dollars

[7] "The New Federalism," an address and statements by President Richard M. Nixon, Washington, D.C., U.S. Govt. Print. Off., 1969, p. 12.
[8] Ibid, pp. 48–54.
[9] Cited in Congressional Record, Sept. 23, 1969, p. 11109.
[10] "Annual Report of the Secretary of the Treasury," *op. cit.*, p. 372.

around the country; there certainly is no shortage of ways of doing that already.

What is being proposed is a shift of decisionmaking power to State and local governments. Revenue sharing is unlike any existing grant-in-aid program. Under revenue sharing the money that State and local governments obtain from the U.S. Treasury becomes in good measure their money. The Federal Government does not tell them how to use the money. For example, revenue sharing money can go into a county's general fund, and it is up to the county council to decide how to spend it.

The following is an outline of the revenue sharing proposal.[11] First, the annual size of the fund will be fixed by law at 1.3 percent of the Federal personal tax base and would yield $5.0 billion in the first year of operation. States and localities will be able to count on it in their long-term planning. The annual amount will increase steadily as the economy and the tax base grows. As shown in table 1, the annual amount is estimated to grow to $6.1 billion in the fiscal year 1975 and $9.8 billion in 1980.

TABLE 1.—*Estimated general revenue sharing fund*

[In billions]

Fiscal year	Amount	Fiscal year	Amount	Fiscal year	Amount
1972	[1] $3.75	1975	$6.1	1978	$8.2
1973	5.3	1976	6.7	1979	9.0
1974	5.5	1977	7.5	1980	9.8

[1] Effective Oct. 1, 1971 (three-fourths of the fiscal year). Hence, the amount for the first 12 months of the program would come to at least $5 billion.

NOTE.—Based on 1.3 percent of estimated taxable income of individuals as reported on Federal tax returns.

Second, the distribution among States will be made according to each State's share of the national population with a simple adjustment for relative revenue effort. The tax effort factor is designed to provide an incentive for State and local governments to utilize their own resources to meet their problem. Thus a State whose revenues, in relation to its personal income base, is 10 percent above the national average would receive a bonus of 10 percent above its basic per capita share.

Third, the distribution within each State to the cities and counties will be established by formula clearly spelled out in the Federal statute. The key point is that each city and county will be able to get its share as a matter of right and will not have to negotiate with the Federal or State Government.

The localities will receive a portion of the State's share that corresponds to the ratio of locally-raised revenue to State government revenue in the State. On the average, that will result in 48 percent of the funds being passed through to local governments. In turn each city and county will obtain a share of the local passthrough that corresponds to its share of all the revenues raised by cities and counties in the State.

There will also be a local option in the plan whereby the local governments and the State legislature in a given State can get together and set up an alternate plan for the intrastate distribution of the money. In fact, there is a 10 percent bonus for using the local option to encourage further decentralization of decisionmaking.

Fourth, the allocation of the money to specific programs will be made by the State or local government receiving the money. There will be no plans to submit for Federal review and no matching requirements. Each State simply will report to the Treasury to account for the use of the funds.

The overall favorable response to this revenue sharing plan has been heartening. Yet, one may confess a sense of dismay at the nature of some of the specific reactions and over the kind of intellectual environment in which there is a ready desire to believe the worst and a strong reluctance to accept facts demonstrating the contrary. The case in point is the role of the large urban areas and especially the central cities in revenue sharing.

[11] For details see President Nixon's message to the Congress on general revenue sharing, Feb. 4, 1971.

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Revenue sharing and urban areas

Considerable attention has been focused on the operation of the general revenue sharing proposal as it will impact on the urban centers of the Nation. The specific concern often voiced is that an intrastate distribution based on each local government's share of locally raised revenues will "reward" the rich suburbs and "punish" the poor central cities.

It is not difficult to understand why such apprehension exists. At first blush it would seem only natural that a formula based on current taxing activity might be biased in favor of wealthy communities, but as so often is the case with first appearances, this one does not square with the facts at hand.

Each local government is allotted a portion of its State's revenue sharing allocation based on its actual revenue collections rather than its potential ability to raise revenues. Thus the suburban "tax-haven," although populated by wealthy individuals, is typically not making a very large per capita tax effort for general government purposes.

It is revenues-raised-per-capita which is the single determinant of the distribution of benefits under the Federal formula. A look at the relevant data is quite revealing on this urban-suburban question.

First, metropolitan areas, in general, stand to benefit relatively more from revenue sharing than a straight per capita distribution would yield. About 70 percent of the population of the United States resides in the 247 designated metropolitan areas. However, the local governments of the areas would be entitled, under the Federal formula in general revenue sharing, to receive nearly 80 percent of the total local government distributions.

Second, it is also clear that large cities would benefit significantly more than small cities under this formula. Roughly one-third of the people living in cities reside in localities with a population in excess of 300,000, but these same local governments would receive more than one-half of all revenue sharing funds going to cities.

Third, and perhaps most significant, it is also clear that within metropolitan areas central cities will fare substantially better—both proportionately and absolutely—than their suburban neighbors. This becomes apparent when the fiscal characteristics of the 25 largest metropolitan areas are analyzed. In this group central cities raise on the average about 50 percent more revenues per capita than do their major (over 2,500 population) suburban neighbors. Thus these urban centers would receive on the average far more revenue sharing funds per capita than would their surrounding suburbs (see table 2).

TABLE 2.—*Local portion of general revenue sharing—central cities compared to their suburban areas*

Central city	Percent of suburban ring (per capita)	Central city	Percent of suburban ring (per capita)
Cincinnati, OH	737	Kansas City, MO	242
Dayton, OH	732	Detroit, MI	227
New York, NY	666	Chicago, IL	223
St. Louis, MO	558	Dallas, TX	219
Baltimore, MD	485	Portland, OR	219
Philadelphia, PA	469	Newark, NJ	193
Rochester, NY	445	Los Angeles, CA	189
Washington, DC	398	Minneapolis, MN	187
Columbus, OH	362	Atlanta, GA	186
New Orleans, LA	336	San Diego, CA	146
Denver, CO	310	Houston, TX	145
San Francisco, CA	303	Boston, MA	140
Buffalo, NY	294	Tampa, FL	132
Pittsburgh, PA	287	Miami, FL	104
Seattle, WA	283	San Antonio, TX	102
Cleveland, OH	252		

Source.—Appendix to this exhibit.

The Federal formula contains a built-in mechanism for recognizing the very severe fiscal needs of the major cities. Those who suggest an intrastate distribution based on population would actually penalize the urban centers relative to the treatment accorded to them under this revenue formula. At the same time, the Federal formula does not exclude from participation and does explicitly recognize the very real needs of the smaller and rural communities.

As pointed out above, any State, working with its local governments, may substitute its own intrastate distribution plan for the Federal formula. In this regard the distributional impact of the Federal formula can be modified to more explicitly recognize a State's particular requirements and needs.

An examination of alternatives

Proper account must be made of the inadequacy and often the perversity of the many prior attempts by the Federal Government to solve or even ameliorate the kinds of problems faced by State and local governments.

This is not an after-the-fact rationalization of a specific recommendation. On the contrary, that was the conclusion of many years of prior study and experience on the part of those who have been most active in designing the current revenue sharing approach.

In my own case, I arrived at such findings in the research while still in the private sector:

"The question arises inevitably as to the extent the grant-in-aid system is converting the States into veritable agents of the Federal Government. Is there the possibility that the States may become the civilian counterparts to the arsenal-like, Government-oriented corporations in the military sphere? The actual extent to which Federal control and influence are exercised varies substantially both by program and region, but the cumulative effect is quite substantial." [12]

That conclusion was hardly unique and is generally shared by those who have worked with or studied grant-in-aid programs. The real challenge, of course, is to come up with alternatives superior to the status quo. Most of the alternatives to revenue sharing that have been suggested recently are not new; in fact, they are precisely the ones that had been considered and, after careful examination, rejected.

It is clear that further direct Federal assumption of local program responsibility or greater expansion of the categorical grant-in-aid system would fundamentally be futile in dealing with the underlying problems facing our State and local governments. To pump substantially more Federal dollars into the proliferating maze of narrow programs, including the proposed federalization of welfare, represents merely a reecho of that tired and ineffective response.

Furthermore, this extremely expensive suggestion is now being made by those who have questioned where the Nation will get the money for revenue sharing; the inconsistency in their argument is striking, even though perhaps unintentional.

Similarly, Federal tax credits for State and local income tax payments may seem like an easy response to this difficult question, but they do not hold up under examination as an effective device for bolstering the financial resources of State and local government. Although no Federal funds would go directly to State or local governments, Federal revenues would be reduced immediately.

There seems to be great ignorance as to how a tax credit works. No one has suggested a 100 percent credit for State and local income taxes against a person's Federal tax liability, for that would almost amount to a blank check on the Treasury. On the other hand, those who recommend a credit as low as 10 percent apparently do not understand the Federal tax system. Many taxpayers would be better off by merely taking the existing deduction for State and local taxes.

In any event, hard pressed States and localities would only benefit to the extent that a credit toward the Federal income tax softens taxpayer resistance and thus enables State and local governments to institute or raise income taxes above the levels otherwise politically acceptable. Dollar for dollar, revenue sharing will be more effective in channeling financial resources to States, cities, and counties. Clearly a Federal credit for State and local income taxes will do little to help local governments who derive the bulk of their revenues from the property tax. At best the benefits would be distributed in an uneven, hit-and-miss fashion.

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[12] Murray L. Weidenbaum, "The Modern Public Sector," New York, Basic Books, Inc., 1969, p. 15.

Separation of power and responsibility

Some have suggested that they would like to respond favorably to revenue sharing but are reluctant to breach the alleged principle of avoiding the separation of the taxing power from the spending power. Certainly the $30 billion of Federal grants-in-aid this year represent a massive breach of that principle. Of course the significant distinction between revenue sharing and the current aid system is the delegation of decisionmaking. Given the gravity of the situation, we should not hesitate to approach what is certainly the most powerful legislative body in the world and suggest the $5 billion out of a $229 billion Federal budget be allocated for State and local decision making. Perhaps that earlier principle is more pertinent—noblesse oblige.

A related question is: Why bother to make the expensive "round trip" of tax dollars to Washington? Why not leave the money in those States and localities where it originates? Actually, the Department of the Treasury has lower tax collection costs than any State or local government agency. Since revenue sharing will not require any new Federal agency or bureau (all that is required is a simple check-writing procedure) the round trip will be quite economical.

Revenue sharing and the budget

Do we really have any excess Federal revenue to share? Will not revenue sharing increase the budget deficit? These questions are raised quite frequently. They apparently result from some confusion over the purpose and operation of a revenue sharing program. Revenue sharing is an expenditure for a basic national purpose—strengthening the federal system of government. The plan does not involve sending back to the States "excess" revenues left over from Federal program requirements. Rather, the concern is with rearranging existing Federal program priorities within the budget total.

The alternative to revenue sharing is not a smaller Federal deficit. The alternative is a higher level of Federal spending in some other program areas.

In modern Federal budget making the levels of expenditures and revenues are determined as a part of the Nation's overall economic policy. President Nixon has stated that, except in emergency conditions, he intends to keep expenditures within the revenues that the economy generates at full employment. Hence funding a revenue sharing program in the context of the present-day budget means selecting this program, rather than some other, for a major share of the automatic annual growth in Federal revenues. This is a choice of priorities.

Summary and conclusion

There are three basic points to revenue sharing that need to be emphasized:

1. *A modest portion of the annual growth in Federal revenues is earmarked for general aid to State and local governments.* These funds will come from the automatic expansion in budget receipts as the economy grows. Contrary to many inaccurate reports, general revenue sharing will neither require a rise in tax rates nor a reduction in any existing government programs.

2. *The revenue sharing money is distributed to each State, city, and county in a fair and equitable manner.* The allocation is made according to the precise formulas contained in the Federal statute rather than subject to the discretion of any executive branch official. As the money is in addition to existing programs, each State, city, and county benefits directly; each receives revenue sharing in addition to any benefits, services or money it is now obtaining from the Federal Government. Table 3 contains the estimated State-by-State distribution for the first full year.[13] It can be seen that the overall impact tends to be mildly equalizing, that is, the poorer States obtain a larger share than their citizens currently obtain of the income produced by the American economy.

3. *The States, cities, and counties receiving the money will make the decisions as to which purposes the funds should be directed.* The Federal Government will not second-guess the local determination of local priorities. Financial reporting to the Treasury will be required simply to assure that the money is spent for a lawful government purpose and in a nondiscriminatory manner. The local voters, rather than any Federal official, will review the wisdom and effectiveness of the expenditures.

[13] For city and county detail, see U.S. Department of the Treasury, "General Revenue Sharing," Washington, D.C., U.S. Govt. Print. Off., February 1971, p. 323 (available from Superintendent of Documents, $3.00).

Revenue sharing is a constructive, highly desirable method for strengthening the hard-pressed State and local governments while simultaneously decentralizing the public sector.

TABLE 3.—*Comparison of revenue sharing allocations with population and personal income*

State (descending order of per capita income)	Share of U.S. population	Share of personal income	Allocation under general revenue sharing
	Percent	*Percent*	*Percent*
District of Columbia	0.37	0.53	0.46
Connecticut	1.49	1.86	1.18
New York	8.95	11.04	10.68
Illinois	5.47	6.55	4.40
Alaska	.15	.16	.17
New Jersey	3.53	4.11	3.08
California	9.82	11.24	11.80
Delaware	.27	.30	.27
Nevada	.24	.25	.28
Massachusetts	2.80	3.07	2.72
Washington	1.68	1.74	1.84
Maryland	1.93	2.02	1.85
Michigan	4.37	4.66	4.58
Hawaii	.38	.39	.47
Rhode Island	.47	.48	.42
Ohio	5.24	5.38	4.25
Indiana	2.56	2.56	2.32
High income group	49.72	56.34	50.77
Pennsylvania	5.81	5.94	4.92
Wisconsin	2.17	2.12	2.49
Colorado	1.09	.99	1.20
Minnesota	1.87	1.79	2.15
Iowa	1.39	1.37	1.49
Nebraska	.73	.71	.78
Oregon	1.03	.98	1.14
Kansas	1.11	1.11	1.08
New Hampshire	.36	.34	.30
Wyoming	.16	.15	.23
Missouri	2.30	2.21	1.93
Florida	3.34	2.74	3.35
Vermont	.22	.19	.24
Virginia	2.29	2.04	2.09
Montana	.34	.31	.38
Texas	5.51	4.77	4.86
Arizona	.87	.71	1.03
Middle income group	30.59	28.47	29.66
Maine	.49	.41	.47
Oklahoma	1.26	1.06	1.27
Utah	.52	.43	.57
South Dakota	.33	.28	.38
Idaho	.35	.29	.40
Georgia	2.26	1.83	2.15
North Dakota	.30	.26	.41
New Mexico	.50	.40	.64
Louisiana	1.79	1.44	2.03
North Carolina	2.50	1.96	2.27
Kentucky	1.58	1.24	1.56
Tennessee	1.93	1.49	1.74
West Virginia	.86	.67	.83
South Carolina	1.28	.92	1.13
Alabama	1.70	1.23	1.64
Arkansas	.95	.57	.86
Mississippi	1.09	.71	1.23
Low income group	19.69	15.19	19.58
Total	100.00	100.00	100.00

Source.—Computed from data supplied by the U.S. Departments of Commerce and Treasury.

APPENDIX.—*Local portion of general revenue sharing*

Metropolitan area, central city, and suburbs	1970 population	Revenue sharing funds	Revenue sharing per capita	Central city as percent of suburban area
Los Angeles-Long Beach area:				
Los Angeles	2,816,061	$34,721,456		
Long Beach	358,633	7,191,917		
	3,174,694	41,913,373	$13.20	189
Suburbs	2,798,238	19,476,918	6.96	
San Francisco-Oakland area:				
San Francisco	715,674	23,954,657		
Oakland	361,561	5,620,245		
	1,077,235	29,574,902	27.45	303
Suburbs	1,545,061	13,970,192	9.04	
San Diego area:				
SanDiego	696,769	6,382,633	9.15	146
Suburbs	368,460	2,296,730	6.23	
Denver area:				
Denver	514,678	10,527,896	20.45	310
Suburbs	332,079	2,191,477	6.59	
Miami area:				
Miami	334,859	4,617,813	13.78	104
Suburbs	391,612	5,181,152	13.23	
Tampa-St. Petersburg area:				
Tampa	277,767	3,981,297		
St. Petersburg	216,232	4,276,375		
	493,999	8,257,672	16.71	132
Suburbs	171,979	2,172,085	12.62	
Atlanta area:				
Atlanta	496,973	7,647,341	15.38	186
Suburbs	156,920	1,295,617	8.25	
Chicago area:				
Chicago	3,366,957	47,601,259	14.13	223
Suburb	2,674,569	16,886,225	6.31	
New Orleans area:				
New Orleans	593,471	9,907,090	16.69	336
Suburbs	79,172	393,587	4.96	
Boston area:				
Boston	641,071	10,700,523	16.69	140
Suburbs	2,727,645	32,348,501	11.85	
Detroit area:				
Detroit	1,511,482	24,901,847	16.47	227
Suburbs	2,674,038	19,385,436	7.24	
Minneapolis-St. Paul area:				
Minneapolis	434,400	5,143,440		
St. Paul	309,980	3,734,244		
	744,380	8,877,684	11.92	187
Suburbs	870,704	5,550,320	6.37	
Kansas City area:				
Kansas City	675,300	10,102,446	14.95	242
Suburbs	432,824	2,667,473	6.16	
St. Louis area:				
St. Louis	622,236	15,120,157	24.30	558
Suburbs	1,406,110	6,124,152	4.35	
Newark area:				
Newark	382,417	7,551,318	19.74	193
Suburbs	1,448,747	14,810,924	10.22	
Buffalo area:				
Buffalo	462,768	4,846,479	10.47	294
Suburbs	968,254	3,438,394	3.55	
Rochester area:				
Rochester	296,233	3,341,859	11.28	445
Suburbs	364,642	924,560	2.53	
New York City area:				
New York	7,867,760	189,348,578	24.06	666
Suburbs	4,355,130	15,727,757	3.61	
Cincinnati area:				
Cincinnati	452,524	13,508,542	29.85	737
Suburbs	592,015	2,398,873	4.05	
Cleveland area:				
Cleveland	750,903	11,227,393	14.95	252
Suburbs	1,444,533	8,575,124	5.93	
Columbus area:				
Columbus	539,677	5,225,749	9.68	362
Suburbs	362,205	968,658	2.67	
Dayton area:				
Dayton	243,601	4,124,377	16.93	732
Suburbs	575,663	1,332,638	2.31	

APPENDIX.—*Local portion of general revenue sharing*—Continued

Metropolitan area, central city, and suburbs	1970 population	Revenue sharing funds	Revenue sharing per capita	Central city as percent of suburban area
Portland area:				
Portland	382,619	$7,928,286	$20.72	219
Suburbs	156,511	1,474,958	9.42	
Philadelphia area:				
Philadelphia	1,948,609	39,781,536	20.41	469
Suburbs	2,597,795	11,311,525	4.35	
Pittsburgh area:				
Pittsburgh	520,117	7,433,529	14.29	287
Suburbs	1,704,302	8,475,513	4.97	
Dallas area:				
Dallas	844,401	10,557,412	12.50	219
Suburbs	456,056	2,597,029	5.69	
Houston area:				
Houston	1,232,740	12,953,581	10.50	145
Suburbs	224,055	1,617,638	7.21	
San Antonio area:				
San Antonio	654,153	4,685,184	7.16	102
Suburbs	17,469	122,158	6.98	
Seattle-Everett area:				
Seattle	530,831	8,820,093		
Everett	50,622	581,363		
	581,453	9,401,456	16.16	283
Suburbs	224,679	1,283,189	5.71	
District of Columbia:				
Washington, D.C	756,510	22,915,149	30.29	398
Suburbs	368,994	2,848,494	7.60	
Baltimore area:				
Baltimore	905,759	14,285,058	15.77	485
Suburbs	58,002	188,768	3.25	

SOURCE.—Compiled from data supplied by the U.S. Department of Commerce.

Exhibit 17.—Remarks of Assistant Secretary Weidenbaum, May 3, 1971, before the Economic Club of Detroit, Mich., on the future of the public sector

There are times when we need to break out of old patterns in order to deal with new problems. It seems to me that we have reached such a period in the vital relations between our National Government, on the one hand, and our State and local governments, on the other. Stated bluntly, we in the public sector need to get our house in order. If you pressed me, I might also be willing to sermonize a little on business responsibilities. But my major concern today is with the public capability to deal with complex economic problems.

Although I will be focusing on longer-term trends in the public sector, I would like to offer some perspective on short-run developments in the American economy as a whole. It is often difficult to see the underlying pattern amidst the wealth of statistics that our economic information system produces. Yet, the underlying trend in the American economy for the coming year or two seems quite firm.

I believe that almost all experienced analysts and observers of the American economy are agreed on three basic items: (1) We are in the midst of an economic expansion—in what economists call "real terms" the overall level of output is rising and is likely to continue rising throughout 1971 and, at an even faster pace, in 1972; (2) the employment situation will be improving—the unemployment rate a year from now is likely to be significantly below the present level; and (3) the rate of inflation is slowing down and the rate of price increases a year from now also is likely to be significantly lower than the current rate. I believe that this realistic evaluation of our short-term prospects is a necessary basis for any longer term examination.

Let us now turn to a view out over the horizon, to the middle of the decade of the 1970's, when we can get a better picture of what post-Vietnam economic environment will look like.

One basic fact is clear. The United States will be bigger, much bigger, almost any way that we measure it. The chatter about zero population growth to the contrary, the population of the United States will continue to grow, from 205 million at the present time to perhaps about 220 million in 1976. You will see a little later why I focus on 1976. And we then will be producing much more. The gross national product will be growing much faster than the population. The GNP in 1976 is likely to be about $1½ trillion—up about $½ trillion from the present level. It almost sounds like an exercise in astronomy.

But, bringing it back to earth, will we as a people be that much better off than we are now? Citizens and tax-payers increasingly are asking that question. Frankly, this is not a case where bigger necessarily means better. Some part of that growth will simply reflect inflation and the inequities that it brings. Fortunately, this administration is getting inflation under control and most of the growth will—in economic terms—be "real." Or will it?

It is conceivable that we could find ourselves devoting a substantial part of that extra $½ trillion merely to cleaning up a rising amount of pollution or to dealing with other undesirable byproducts of economic growth.

Sometimes those of us who are economists tend to forget what the statistics are all about. We are not assembled in a great national effort to maximize the gross national product. GNP and similar statistics are merely attempts to serve as a proxy for something far more vital—the improved welfare of the American people. It has been true in the past that, in general, the more we produced, the more resources were available to deal with the problems facing our society. But we recently have come to realize that the very ways in which we produce and consume can, in themselves, give rise to some of these basic problems. Surely the answer is not to neglect the necessary incentives for economic growth. Without a dynamic, progressive economy, we will not have the means to achieve our goals. But we do need to give more attention to the undesirable byproducts of growth than in the past.

Although we cannot with great confidence state that the American economy of 1976 will in every way be a better place than it is today, we can come up with two important conclusions: (1) It could be a better place because we will have more resources available to do the things that we wish to do, and (2) both private and public sectors will be faced with the challenge of insuring that a rising quantity of output means a rising quality of economic life.

The public sector

How well equipped are we in the public sector to do our share of the job? The candid answer to that question is, I believe: "Not nearly well enough." Therefore, under the President's leadership, we are trying to make the governmental machinery more responsive to national needs, and more capable of dealing with today's and tomorrow's very difficult problems.

Our fundamental approach that we believe necessary is the greater decentralization of the American public sector. Anyone who isn't convinced of that just needs to take a look at the catalog of domestic programs of the Federal Government; that catalog has now become a book of more than 600 pages.

Yet for all this emphasis on the assumed power and influence of our National Government, the limits to its effectiveness have become all too apparent. Too often, Federal funds have been wasted or used inefficiently. Too often, a bountiful promise has been followed by a lack of performance. Too often, the application of some centrally formulated regulation has failed to accommodate the diversity of local situations. The result has been erosion of public confidence in the Federal Government's ability to serve as a truly effective instrument of social progress.

State and local governments have also experienced very rapid growth. Indeed, since the end of World War II, their expenditures, employment, and indebtedness have increased far faster than those of the Federal Government. Yet the services the public has expected them to provide—education, transportation, health, and many more—have often been beyond the capacity of local public resources to finance and hence to provide.

The Federal Government has hardly been oblivious to the needs of State and local governments. Federal grants-in-aid to States and localities will pass the $30 billion mark this fiscal year, up from $7 billion in 1960. This type of categorical assistance has represented an increasing portion of both the Federal budget and State and local revenues. But, too often, it has also been accompanied by an ever growing maze of program restrictions, matching provisions, project approval requirements, and a host and variety of administrative burdens. The result has been the creation of a complicated network of intergovernmental assistance with many shortcomings.

This administration intends to correct the inefficiencies of the present system while assisting the States and localities in a more substantial way than in the past:

Basic reform of Federal programs is being undertaken in such major functional areas as pollution control, welfare, unemployment insurance, and mass transit; legislation to bring about these changes has either passed or already made considerable headway in the Congress. A new environmental financing authority is being developed which is designed to ease the pressures on State and local bond markets. We have designed and the Congress has approved the first fundamental overhaul of the unemployment compensation system since the 1930's.

The management of Federal aid and other Government programs is also being overhauled. For example, the regional boundaries of the major domestic departments of the Federal Government are being changed so that their headquarters cities are the same and the regions which they cover conform. That is the kind of thing that seems so obvious that you wonder how come it wasn't done before.

Revenue sharing

But the most innovative aspects of our domestic efforts is the proposal for a program of sharing Federal revenue with State and local governments. Today, I want to talk about the heart of that proposal, the $5 billion general revenue sharing plan.

Basically, the general revenue sharing proposal federalizes the individual income tax. Specifically, a modest portion of the personal tax base will be paid back each year to every State, county, and city.

Before getting into the details, let me make one fundamental point. Revenue sharing is not just another program for distributing Federal dollars around the country; there certainly is no shortage of ways of doing that already.

What we are proposing is a shift of decision-making power to State and local governments. General revenue sharing is unlike any existing grant-in-aid program. Under revenue sharing, the money that State and local governments obtain from the U.S. Treasury becomes in effect their money. The Federal Government does not tell them how to use the money. Revenue sharing money can go into a city's general fund, and it is up to the city council to decide how to spend it.

I would like to outline briefly our revenue sharing proposal (the Department of the Treasury would be pleased to provide more detailed information). First, the annual size of the fund will be fixed by law at 1.3 percent of the Federal personal tax base. That will yield $5 billion in the first year of operation. The annual amount will increase steadily as the economy and the tax base grows, to about $6 billion in 1975 and as much as $10 billion in 1980.

Second. the distribution among States will be made according to each State's share of the national population. There will be one simple adjustment, for relative tax effort. The tax effort factor provides an incentive for State and local governments to utilize their own resources to meet their problems. Thus, a State whose revenues, in relation to its personal income, is 10 percent above the national average will receive a bonus of 10 percent above its basic per capita share.

Third, the distribution within each State to the cities and counties will be established by formula clearly spelled out in Federal statute. The key point is that each city and county will be able to get its share as a matter of right and will not have to negotiate with the Federal or State Government.

The localities will receive a portion of the State's share that corresponds to the ratio of locally raised revenue to State government revenue in that State. On the average, that will result in 48 percent of the funds being passed through to local governments. In turn, each city and county will obtain a share of the local "passthrough" that corresponds to its share of all the revenues raised by the cities and counties in the State.

Fourth, the decisions as for which specific programs the revenue sharing money is to be used will be made by the State or local government receiving the funds. There will be no program plans to submit for Federal review and no matching requirements. Each State simply will report to the Treasury to account for the use of the funds.

The overall favorable response to this revenue sharing plan has been heartening. A recent Gallup poll shows 77 percent of the American people in favor of revenue sharing. Yet, one may confess a sense of dismay at some of the specific reactions and over the kind of intellectual environment in which there is a ready desire to believe the worst and a strong reluctance to accept facts demonstrating the contrary. My case in point is the role of the large urban areas and especially the central cities in revenue sharing.

Revenue sharing and urban areas

The specific concern often voiced is that because the distribution of revenue sharing within each State is based on each local government's share of locally raised revenues it will "reward" the rich suburbs and "punish" the poor central cities.

At first blush, it would seem only natural that a formula based on current taxing activity might be biased in favor of wealthy communities. But as so often is the case with first appearances, this one does not square with the facts.

Each local government's portion of its State's revenue sharing allocation is based on its actual revenue collections rather than its potential ability to raise revenues. Thus, the suburban "tax haven," although populated by wealthy individuals, is typically not making a very large tax effort for general government purposes.

It is revenues raised per capita which is the single determinant of the distribution of local benefits under the Federal formula. A look at the facts is quite revealing on this urban-suburban question.

First, metropolitan areas, in general, will receive larger shares than if we used a straight per capita distribution. About 70 percent of the population of the United States resides in metropolitan areas. However, the local governments of metropolitan areas will receive, under our formula, nearly 80 percent of the total local government share.

Second, large cities will benefit significantly more than small cities under our formula. Roughly one-third of the people living in cities reside in localities with a population of over 300,000. But these same local governments will receive more than one-half of all the revenue sharing money going to cities.

Third, and perhaps most significant, within metropolitan areas, central cities will fare substantially better than their suburban neighbors. This becomes crystal clear when we look at the fiscal characteristics of the 25 largest metropolitan areas. In this group, central cities raise on average much more revenue per capita than do their major (over 2,500 population) suburban neighbors. Thus, these urban centers will receive on the average more revenue sharing funds per capita than their surrounding suburbs.

Separation of power and responsibility

Some people have suggested that they would like to respond favorably to revenue sharing, but they say they are reluctant to breach the alleged principle of avoiding the separation of the taxing power from the spending power. But they seem to forget that the $30 billion of Federal grants-in-aid this year already represent a massive breach of that principle. Of course, the significant distinction between revenue sharing and the current aid system is the delegation of decisionmaking.

Given the gravity of the situation, we should not hesitate to approach what is certainly the most powerful legislative body in the world and suggest that $5 billion out of a $229 billion Federal budget be allocated for State and local decisionmaking. Perhaps that earlier principle is more pertinent—noblesse oblige.

Revenue sharing and the budget

Do we really have any excess Federal revenue to share? Won't revenue sharing increase the budget deficit? These questions are thrown at me frequently. However, these questions seem to reflect some confusion over the purpose and operation of revenue sharing. Revenue sharing is not a frill or a luxury; it is an expenditure for a basic national purpose—strengthening the Federal system of government. The plan does not involve sending back to the States "excess" revenues left over after we meet Federal program requirements. Rather, the idea is to rearrange existing Federal program priorities within the budget total.

Make no mistake about it. The alternative to revenue sharing is not a smaller Federal deficit. The real alternative is a higher level of Federal spending in some other—and we believe lower priority—areas.

Summary and conclusion

There are three basic points to revenue sharing that need to be emphasized:

1. *Under revenue sharing, a modest portion of the annual growth in Federal revenues is earmarked for general aid to State and local governments.* These

funds will come from the automatic expansion in budget receipts as the economy grows. Contrary to many inaccurate reports, general revenue sharing will neither require a rise in tax rates nor a reduction in any existing Government programs.

2. *The revenue sharing money is distributed to each State, city, and county in a fair and equitable manner.* The allocation is made according to the precise formulas contained in the Federal statute rather than subject to the discretion of any executive branch official. As the money is in addition to existing programs, each State, city, and county benefits directly; each receives revenue sharing in addition to any benefits, services or money it is now obtaining from the Federal Government.

3. *The States, cities, and counties receiving the money will make the decisions as to which purposes the funds should be directed.* The Federal Government will not second-guess the local determination of local priorities. Financial reporting to the Treasury will be required simply to assure that the money is spent for a lawful governmental purpose and in a nondiscriminatory manner. The local voters, rather than any Federal official, will review the wisdom and effectiveness of the expenditures.

Although the programs of the Nixon administration involve long-term changes, the shift in emphasis already is visible in the current Federal budget.

Total Federal financial aid to State and local governments is budgeted to rise from $24 billion last year to $30 billion this year and $38 billion next year. Clearly, we are not merely taking money out of one pocket and putting it into another. These massive increases in Federal expenditures indicate our changing priorities and our desire to decentralize the public sector while simultaneously strengthening State and local governments.

Let me close with a personal forecast. In 1976, the United States will look toward the future with greater confidence than it does today. I say that not because we will have solved our major problems but because we will have grown more accustomed to dealing at the National, State, and local levels with the difficult questions of social relations, environmental quality, and urban living. By 1976 (the year that I focused on at the outset), the 8 years of the Nixon administration—as I said, this is a personal forecast—will not have brought the millennium but they will have provided the framework within which the American people can make substantial progress in a peacetime world.

Public Debt and Financial Management

Exhibit 18.—Statement by Secretary Connally, February 17, 1971, before the House Ways and Means Committee, on the public debt limit and 4¼ percent interest rate ceiling

I am sure the members of this committee are familiar with the general outline of the President's budget. As you know, it anticipates, on the unified budgetary basis, a deficit of $18.6 billion in the current fiscal year and $11.6 billion in fiscal 1972.

These are very sizable figures. As the economy expands and reaches full prosperity, it is vitally important that our deficits be reduced in size and eliminated. However, in existing economic circumstances, with too much unemployment and unused capacity, the anticipated deficits seem to me fully consistent with sound and prudent financial planning. Proposed expenditures have been kept within the revenue-generating capacity of our tax system at full employment levels of income. As we achieve that goal, a balance or surplus can and should be restored. In the meantime, our willingness to accept deficits, to the extent they reflect a sluggishness in the economy and thus in revenue collections, will help speed the desired expansion.

I firmly believe the anticipated deficits can be financed in a manner consistent with orderly expansion of the economy, and without building into the economy a renewed inflationary potential, provided the Treasury is armed with needed flexibility in shaping its financing program. Specifically, I request your committee and the Congress act, as a matter of urgency, to provide us with essential financing leeway in two areas: First, an increase in the statutory debt limit now set at $395 billion; and second, elimination of the 4¼ percent ceiling on interest paid on Treasury bonds.

The debt limit

You will recall that the present statutory debt limit was set by the Congress last June in the light of official projections of a unified budget deficit of only $1.3 billion. That projection turned out to be very wide of the mark. In addition to estimating error, the business slowdown has contributed to a shortfall in revenues of some $10 billion from the projection of last spring. A combination of increases in such "uncontrollable" items as social security and interest payments and higher appropriations by the Congress account for a $7 billion increase in estimated expenditures.

As a result of the larger deficit, our indebtedness is now running higher than anticipated, and the margin for contingencies provided under the present debt limit has already been pretty well exhausted. Present projections suggest that the debt will rise to within $1 billion of the present $395 billion limit late this month, before temporarily dropping again. By the second half of March the debt will be bumping against the limit persistently, and we will have no alternative but to draw down our cash balances to abnormally low levels. The debt will rise further in April and reach a temporary peak in mid-June. (This trend is reflected in table I, which assumes a constant $6 billion cash balance.) [1]

Consequently, in a matter of weeks, failure to obtain a higher debt ceiling will force us to turn to uneconomic and costly expedients to maintain an orderly flow of expenditures in accordance with congressional authorizations. The margin for contingencies will be exhausted. For an idefinite period, the Treasury will have no room for meeting unexpected cash drains. A variety of contingencies—a sizable shortfall from revenue estimates, an unanticipated bunching of expenditures or tax refunds, disturbances in the mail—could create most serious operating difficulties. As the Secretary of the Treasury, I could not contemplate operating prudently on that basis.

Consequently I believe it essential that the Congress take action to lift the debt limit by the middle of March. I also believe that it would be appropriate at the same time to look further ahead and provide a limit adequate to meet the need for fiscal 1972.

In appraising the size of this need, I would point out that the present concept of the debt limit covers the aggregate of Treasury debt, including the debt held by the Federal trust funds and other agencies. During a period like the present, when the trust funds are in substantial surplus and thus acquiring Treasury debt, the necessary increase in the limit must be far in excess of the size of the deficit, measured on the unified budget basis, which includes the operations of the trust funds.

As the budget document shows, the so-called Federal funds part of the unified budget—which excludes the operations of the trust funds—is now estimated to be in deficit by $25.5 billion for fiscal 1971. (Table III shows a reconciliation of the unified and Federal funds budgets.) The presently projected fiscal 1971 Federal funds deficit is $15 billion more than anticipated when the present limit was set. In addition, a deficit on the Federal funds basis of $23.1 billion is anticipated in fiscal 1972. Thus, for debt limit purposes, we must deal with some $38 billion of deficit beyond that provided for in the present limit.

The anticipated deficits are expected to bring the federal debt subject to limit close to $420 billion at the end of fiscal 1972. Temporary seasonal requirements will lead to a substantially higher debt at certain periods during the late winter and spring of 1972. As you can see in table II, with allowance for an average level of cash of some $6 billion, the debt would fluctuate between $425 billion and $430 billion at midmonth dates from March through May, reaching a peak of $431 billion on June 15.

It has been the custom of this committee to provide a margin for contingencies above these estimates of approximately $3 billion. In view of the fact that the peak debt will not be reached for some 16 months, and in view of the uncertainties that must be associated with any projections that far ahead, I propose to the committee that a new temporary debt limit be set at $435 billion for the period through June 30, 1972.

In requesting this debt limit, I am conscious of the uncertainties that exist and are, indeed, an inescapable part of the budgetary process. While we are

[1] See exhibit 19, table II.

proposing only limited tax changes, revenues are sensitive to economic developments. The expenditure projections reflect the President's program, before the process of congressional authorizations and appropriations.

I believe, however, that the President's budget represents appropriate and desirable assumptions for planning purposes. I believe the limit I have proposed will provide the necessary leeway to assure flexible and responsible financing in foreseeable circumstances.

The 4¼ percent interest rate ceiling

Since 1918 the Treasury has financed within a general limitation that it may provide an interest rate of no more than 4¼ percent on Treasury bonds. That rate was chosen, as I understand it, simply because it was the rate necessary to sell bonds in the closing months of World War I. In practice, this ceiling now controls only the interest rate that the Treasury may place on securities maturing in more than 7 years, since Treasury bills and certificates (instruments that mature within a year) and notes (instruments that may mature in 1 to 7 years) can be sold without limitation as to interest rate.

For many years, the limitation of interest on Treasury bonds did not represent a serious impediment to Treasury financing. While long-term market yields for Treasury securities did move above 4¼ percent from time to time in the 1920's and in the late 1950's, these periods were of limited duration and, by and large, did not coincide with heavy Treasury borrowing requirements.

In the past 5 years, however, the situation has been very different. Because of the interest rate ceiling, the Treasury has been unable to sell a security maturing in more than 7 years since mid-1965. The result has been a substantial and serious piling up of the debt in the short-term area.

The results are reflected in a series of charts attached to my statement. The average maturity of the debt has declined during this period from 5 years and 9 months in June 1965, to 3 years and 4 months at the end of January of this year (chart 1). The volume of maturing notes and bonds that we need to refinance each year rose from 1965 to the beginning of this year by more than half, or from $13.3 billion to $22.9 billion (chart 2). As a counterpart, the amount of Treasury debt of more than 7 years maturity outstanding has declined precipitously, from $43½ billion to $17½ billion (see chart 5).

As a simple matter of prudent financing, this is not a healthy situation. We are faced with large refundings, quarter after quarter. Concentration of these financings in a limited sector of the market creates unnecessary congestion and limits our flexibility in arranging prior or subsequent cash financings. While the absorptive capacity of the short-term market is normally large, in this uncertain world it is hardly appropriate to test the limits of that capacity unnecessarily. At best, we are vulnerable to any recurrence of high rates and tight money; at worst, the heavy volume of maturities can jeopardize our ability to finance in an orderly manner.

I believe the present situation is equally bad as a matter of broader economic policy. In 1969 and 1970 the forced concentration on short-term financing helped aggravate competitive pressures on thrift institutions and thus played a part in impairing the flow of funds into the housing markets. Over time the buildup of short-term Treasury debt tends to increase the liquidity of the economy in a manner not easily subject to control by the monetary authorities. It, therefore, undermines the task of economic management and particularly risks a refueling of inflationary pressures when demand pressures are strong. The large financings imposed by the present debt structure also complicate the task of the Federal Reserve in carrying out its open market operations or making policy changes at critical times because of the need to avoid disturbing the process of market reception or digestion of such large new issues by the Treasury.

The interest rate limitation on long-term bonds is sometimes defended as a device to achieve a saving in interest cost. However, recent experience provides ample illustration of the point that, in a period of inflation and heavy credit demands, a legislated ceiling rate on Treasury bonds cannot prevent yields from rising sharply throughout credit markets. Ceiling or not, the Treasury did need to finance in the market in heavy volume, and the concentration of that financing in the short-term area at times helped to push those rates well above prevailing yields for longer issues (chart 6).

At this point, it seems clear that the sizable volume of longer term financing accomplished by the Treasury during the early 1960's will afford sizable direct interest savings. In the absence of that long-term financing, the Treasury would have had to sell still more securities at the unprecedentedly high levels of recent years.

Happily, the entire structure of interest rates has declined sharply from the peaks of 1969 and 1970. Medium and longer term Treasury issues are now trading in a narrow range around 6 percent, as much as 2 percent below peak levels. At the same time, these yields are still far above levels that would make financing at 4¼ percent a practicable or foreseeable proposition.

I will not attempt to forecast interest rates. But I must express my conviction that it would be imprudent to refrain entirely from medium or long-term financing in the hope that market rates will soon decline to a level that would make such financing practicable within the current ceiling. The possibility of increases, as well as the hope of declines, must be considered in appraising possible costs.

More basically, we cannot afford to arrange the financing program of the Government on the basis of uncertain expectations as to the future level of interest rates. I do not want to contemplate the effects on future Treasury financing and on the structure of our debt should the ceiling remain in force and prohibit longer term financing for a further extended period. The pileup of short-term securities would continue. The risks of disrupting capital markets at a critical juncture would increase. The threat of renewed pressure on thrift institutions would need to be considered.

I believe the importance of lifting this ceiling is widely appreciated. Every man living who has served as Secretary of the Treasury joins me in supporting the removal of this ceiling now. There is strong support among professional economists—including those prominent in the counsels of both political parties and otherwise divided on many policy issues. Organizations concerned with the health of our financial institutions, with the mortgage market, and with home building have publicly expressed their conviction that the ceiling should be relaxed. Impartial investigations—including the inquiry of more than a decade ago of the Commission on Money and Credit and the Commission on Mortgage Interest Rates appointed in 1968 by President Johnson—have made similar recommendations.

I can assure the committee that the Treasury has no plans for pressing massive sales of long-term bonds on a reluctant market. We do need, however, additional scope for selling securities beyond the 7-year area of the market, and we do need the capacity to sell longer term bonds from time to time, as market conditions permit, to maintain an orderly and prudent financing pattern. Carefully managed, I am convinced that such debt can be placed without undesirably impinging upon competing demands for credit.

A reading of financial history as recently as the early 1960's demonstrates effectively the means by which we could, over time, achieve a more balanced and prudent debt structure, consistent with the needs of other borrowers and stable market conditions. The alternative is to see the debt become still shorter and less manageable, at substantial risk to the orderly operation of financial markets. That alternative must be rejected.

I urge that you provide the Treasury with the authority essential to plan an orderly financing program by removing the 4¼ percent ceiling.

TABLE II.—*Estimated public debt subject to limitation, fiscal year 1972*

[In billions of dollars]

		Debt with $6.0 cash balance	With $3.0 margin for contingencies
	1971		
June	30	396.5	399.5
July	15	403.1	406.1
	30	403.9	406.9
Aug.	16	409.3	412.3
	31	409.4	412.4
Sept.	15	413.0	416.0
	30	405.3	408.3
Oct.	15	410.8	413.8
	29	409.1	412.1
Nov.	15	413.0	416.0
	30	413.7	416.7
Dec.	15	418.4	421.4
	31	416.1	419.1
	1972		
Jan.	17	422.5	425.5
	31	414.6	417.6
Feb.	15	418.8	421.8
	29	419.4	422.4
Mar.	15	426.0	429.0
	31	423.8	426.8
Apr.	17	429.7	432.7
	28	419.1	422.1
May	15	424.6	427.6
	31	425.9	428.9
June	15	430.6	433.6
	30	420.0	423.0

TABLE III.—*Reconciliation of unified and Federal funds budget*

[In billions of dollars]

	Fiscal years*	
	1971	1972
Expenditure account:		
RECEIPTS		
Total unified	194.2	217.6
Federal funds	139.1	153.7
Trust funds	66.2	75.5
Less: Intragovernmental transactions	11.1	11.6
OUTLAYS		
Total unified	212.8	229.2
Federal funds	164.7	176.9
Trust funds	59.2	64.0
Less: Intragovernmental transactions	11.1	11.6
Budget surplus, or deficit (−):		
Unified	−18.5	−11.6
Federal funds	−25.5	−23.1
Trust funds	7.0	11.5

*Figures are estimated. Totals may not add due to rounding.

Chart 1

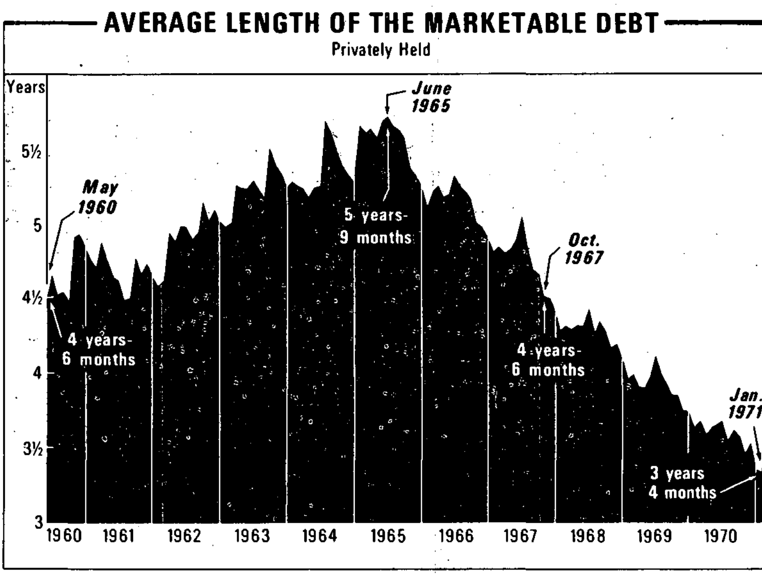

Chart 2

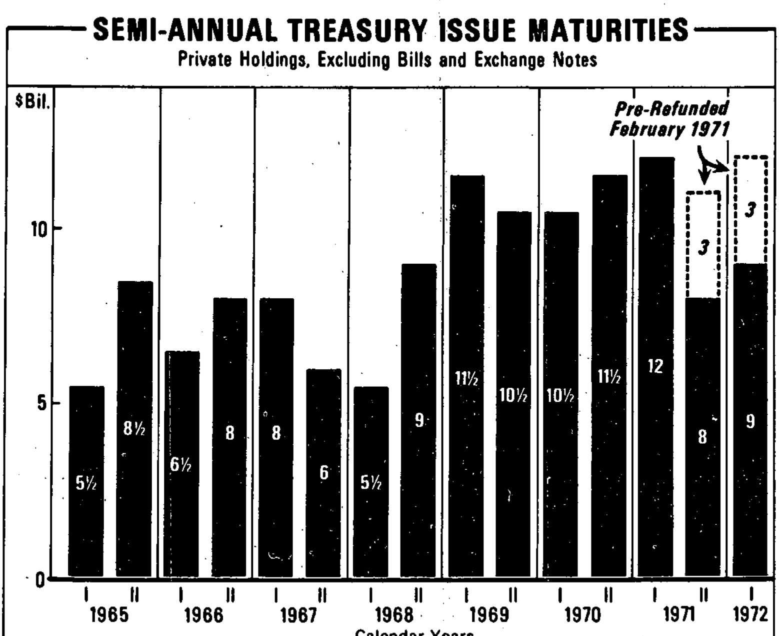

Chart 3

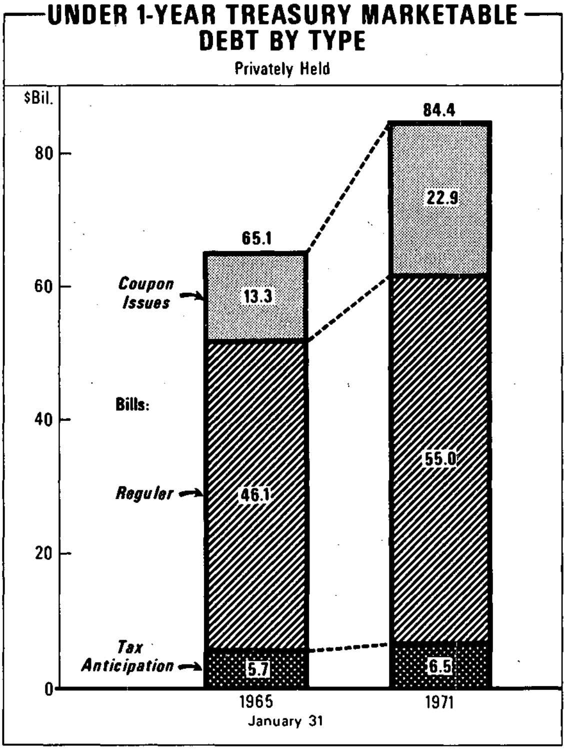
UNDER 1-YEAR TREASURY MARKETABLE DEBT BY TYPE
Privately Held
$Bil.
80
60
40
20
0
84.4
22.9
55.0
6.5
65.1
13.3
46.1
5.7
Coupon Issues
Bills:
Regular
Tax Anticipation
1965
1971
January 31

Chart 4

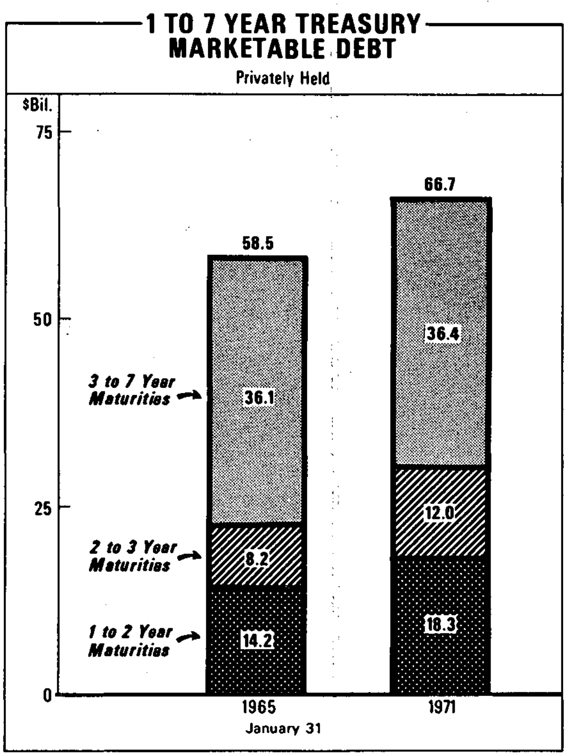
1 TO 7 YEAR TREASURY
MARKETABLE DEBT
Privately Held
$Bil.
75
50
25
0
58.5
66.7
3 to 7 Year Maturities
36.1
36.4
2 to 3 Year Maturities
8.2
12.0
1 to 2 Year Maturities
14.2
18.3
1965
1971
January 31

Chart 5

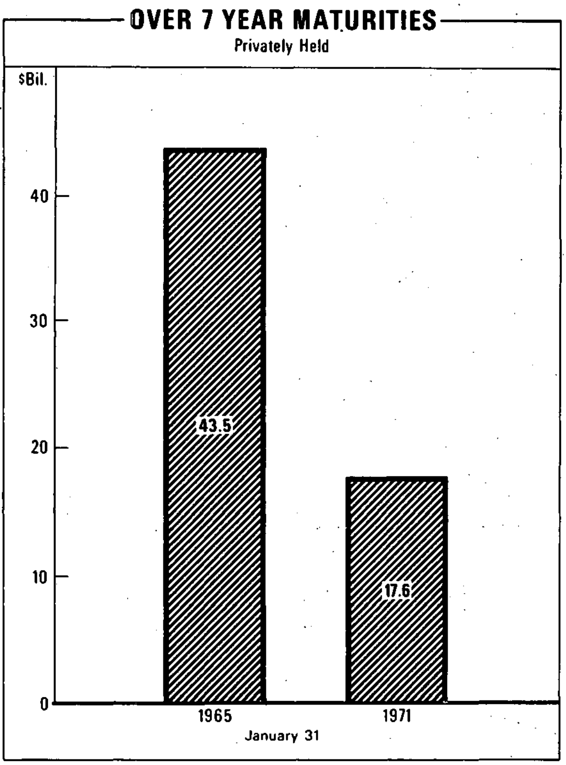

Chart 6

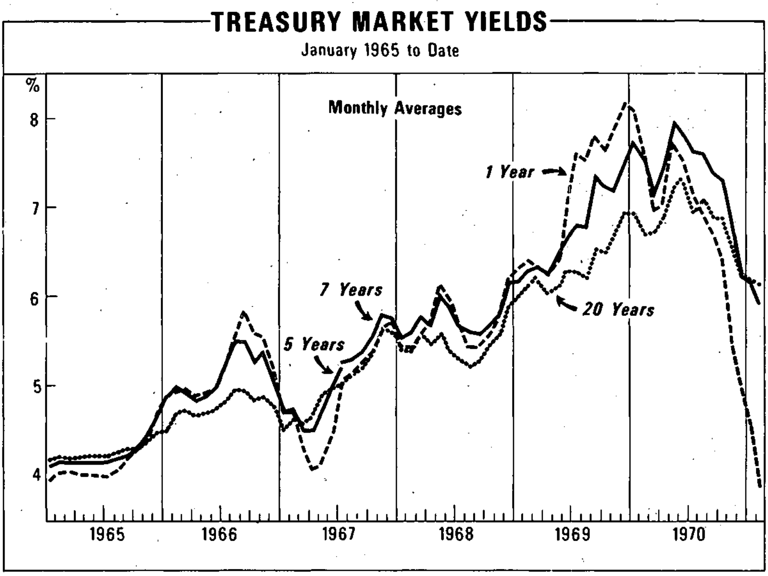

Exhibit 19.—Statement by Secretary Connally, March 8, 1971, before the Senate Finance Committee, on the public debt limit and the 4¼ percent interest rate ceiling

This committee is by now familiar with the broad outlines of the President's budget. On the unified budget basis, the deficit is expected to be $18.6 billion in the current fiscal year, and $11.6 billion in fiscal 1972. On the Federal funds basis, which is more relevant for purposes of projecting the anticipated increase in debt outstanding, the deficits are expected to be $25.5 billion and $23.1 billion, respectively.[1]

These are very sizable figures. However, in existing economic circumstances, with too much unemployment and unused capacity, the anticipated deficits seem to me fully consistent with sound and prudent financial planning. The President, in fact, has kept proposed expenditures within the revenue totals that would be generated by our tax system at full employment. As the economy moves in the direction of full employment this year and next, a balance or surplus can and should be restored. In the meantime, our willingness to accept deficits, to the extent they reflect a sluggishness in the economy and thus in revenue collections, will help speed the desired expansion.

I firmly believe that the anticipated deficits can be financed in a manner consistent with orderly expansion of the economy, and without building into the economy a renewed inflationary potential, provided the Treasury has the needed flexibility in shaping its financing program. Therefore, I request your committee and the Senate to act, as a matter of urgency, to provide us with essential financing leeway in two areas: First, an increase in the statutory debt limit now set at $395 billion; and second, authority to sell Treasury bonds outside the present statutory interest rate limit of 4¼ percent. Specifically, I request that the Senate approve the H.R. 4690, as passed by the House, raising the temporary debt limit to $430 billion through June 30, 1972, and authorizing $10 billion of new bond issues outside the 4¼ percent ceiling.

Debt limit

The present temporary debt limit of $395 billion was enacted by the Congress last June on the basis of a projected unified budget deficit of only $1.3 billion, a projection that proved to be very wide of the mark. Revenues are now estimated to be $10 billion less than were projected last spring and expenditures are estimated to be $7 billion higher, largely as a result of increases in "uncontrollable" outlays in such areas as interest on the public debt and social security together with higher congressional appropriations.

As a result of this very much larger deficit, the debt subject to limit is now substantially higher than was then anticipated, and the margin for contingencies has been largely exhausted. On February 25, we came within $1.6 billion of the present ceiling, and our projections indicate that debt subject to limit will be running very close to the ceiling throughout this month. As is evident from table II, attached to my statement, the debt will rise further in April and reach a temporary peak in mid-June.[2]

Without prompt action on the debt ceiling, therefore, we will be faced with the need in a matter of a few weeks to turn to uneconomic and costly expedients to maintain an orderly flow of payments in accordance with congressional authorizations. Indeed, our ability to plan orderly financing later this month is jeopardized if the ceiling is not raised. Moreover, it is essential to have a margin for contingencies to meet unexpected cash drains, a short-fall of revenues, unanticipated bunching of expenditures, or disturbances in the mails—all of which could create serious operating difficulties. As Secretary of the Treasury, I could not contemplate operating prudently on that basis. Consequently, I believe it essential that the Congress take action to lift the debt limit within the next 2 weeks. At the same time, I believe it would be reasonable to look further ahead and provide a limit adequate to meet the need for fiscal 1972. (See table III attached).[3]

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[1] Table III (see exhibit 18) shows a reconciliation of the unified and Federal funds budgets. The major difference reflects the Government's trust funds, which are expected to be in substantial surplus in the next 2 years.

[2] This table has been updated to reflect actual figures for February, and slightly revised projections through May from the comparable table submitted to the House Ways and Means Committee.

[3] See exhibit 18, table II.

When I appeared before the House Committee on Ways and Means, I requested a temporary debt limit of $435 billion through June 30, 1972. On the basis of a constant cash balance of $6 billion and a $3 billion margin for contingencies, the budget projections implied a need for a debt limit of approximately $433½ billion. In view of the inherent uncertainties in projections looking 16 months ahead, it seemed reasonable to round the number to $435 billion.

The Ways and Means Committee and the House approved a temporary debt limit of only $430 billion, $5 billion less than I requested. As I told the Ways and Means Committee at the time, however, this lower figure ought to be adequate through at least this time next year, and I am prepared to accept it on that basis, recognizing that it does not provide fully for possible contingencies.

Four and one-fourth percent ceiling

Since 1918 the Treasury Department has been subject to a 4¼ percent limitation on the rate of interest payable on its bonds. This rate was chosen, as I understand it, simply because 4¼ percent was the rate felt to be necessary to sell bonds in the closing months of World War I. The ceiling now applies in practice only to securities maturing in more than 7 years, since Treasury bills and certificates (instruments that mature within a year) and notes (instruments that mature in 1 to 7 years) can be sold without limitation as to interest rate.

Until the last few years, the interest limitation did not represent a serious impediment to Treasury financing. Although long-term market yields for Treasury securities were above 4¼ percent at times in the 1920's and in the late 1950's, the periods were of limited duration and, by and large, did not coincide with heavy Treasury borrowing requirements.

In the past 5 years, however, the situation has been very different. Because of the interest rate ceiling, the Treasury has been unable to sell a security maturing in more than 7 years since mid-1965. The result has been a substantial and serious piling up of the debt in the short-term area.

The results are reflected in a series of charts attached to my statement.[4] The average maturity of the debt has declined during this period from 5 years and 9 months in June 1965, to 3 years and 4 months at the end of January of this year (chart 1). The volume of maturing notes and bonds that we need to refinance each year rose from 1965 to the beginning of this year by more than half, or from $13.3 billion to $22.9 billion (chart 2). As a counterpart, the amount of Treasury debt of more than 7 years maturity outstanding had declined precipitously, from $43½ billion to $17½ billion (see chart 5).

As a simple matter of prudent financing, this is not a healthy situation. We are faced with large refundings, quarter after quarter. Concentration of these financings in a limited sector of the market creates unnecessary congestion and limits our flexibility in arranging prior or subsequent cash financings. While the absorptive capacity of the short-term market is normally large, in this uncertain world it is hardly appropriate to test the limits of that capacity unnecessarily. At best, we are vulnerable to any recurrence of high rates and tight money; at worst, the heavy volume of maturities can jeopardize our ability to finance in an orderly manner.

I believe the present situation is equally bad as a matter of broader economic policy. In 1969 and 1970 the forced concentration on short-term financing helped aggravate competitive pressures on thrift institutions and thus played a part in impairing the flow of funds into the housing markets. Over time the buildup of short-term Treasury debt tends to increase the liquidity of the economy in a manner not easily subject to control by the monetary authorities. It, therefore, undermines the task of economic management and particularly risks a refueling of inflationary pressures when demand pressures are strong. The large financings imposed by the present debt structure also complicate the task of the Federal Reserve in carrying out its open-market operations or making policy changes at critical times because of the need to avoid disturbing the process of market reception or digestion of such large new issues by the Treasury.

The interest-rate limitation on long-term bonds is sometimes defended as a device to achieve a saving in interest cost. However, recent experience provides ample illustration of the point that, in a period of inflation and heavy credit demands, a legislated ceiling rate on Treasury bonds cannot prevent yields from rising sharply throughout credit markets. Ceiling or not, the Treasury did need to finance in the market in heavy volume, and the concentration of that financing

[4] See exhibit 18.

in the short-term area at times helped to push those rates well above prevailing yields for longer issues. (chart 6.)

Happily, the entire structure of interest rates has declined sharply from the peaks of 1969 and 1970. Medium and longer term Treasury issues are now trading in a narrow range around 6 percent, as much as 2 percent below peak levels. At the same time, these yields are still far above levels that would make financing at 4¼ percent a practicable or foreseeable proposition.

The importance of obtaining some relief from this ceiling is widely appreciated. Every man living who has served as Secretary of the Treasury joins me in supporting the removal of this ceiling now. There is strong support among professional economists—including those prominent in the counsels of both political parties and otherwise divided on many policy issues. Organizations concerned with the health of our financial institutions, with the mortgage market, and with homebuilding have publicly expressed their conviction that the ceiling should be relaxed. Impartial investigations—including the inquiry of more than a decade ago of the Commission on Money and Credit and the Commission on Mortgage Interest Rates appointed in 1968 by President Johnson—have made similar recommendations.

In appearing before the Ways and Means Committee, I requested legislation that would remove the ceiling entirely. However, I have no intention of pressing massive sales of long-term bonds on a reluctant market. Consequently, I am quite prepared to accept the provision in the House bill which exempts only $10 billion of bonds from the limitation. This should provide adequate additional scope for selling securities beyond the 7-year area for the period immediately ahead, and therefore assist in maintaining an orderly financing pattern.

I am convinced that moderate amounts of longer term debt can be placed without undesirably impinging upon competing demands for credit. It will be my intention to use the authority flexibly, in the interests of improving our debt structure, confident that this committee and the Congress will be willing to extend and enlarge the authority as necessary on the basis of an established record.

TABLE II.—*Public debt subject to limitation, fiscal year 1971*

[In billions]

	Operating cash balance (excluding free gold)	Public debt subject to limitation
ACTUAL		
1970		
June 30	$7.9	$373.4
July 15	5.5	377.7
31	7.3	379.1
Aug. 17	6.4	383.5
31	7.2	383.4
Sept. 15	3.3	383.1
30	8.7	381.2
Oct. 15	4.2	382.2
30	6.3	382.7
Nov. 16	4.1	385.4
30	5.8	386.1
Dec. 15	3.7	389.5
31	8.0	391.6
1971		
Jan. 15	4.0	392.1
29	9.5	390.8
Feb. 16	6.2	391.2
26	7.8	392.3
ESTIMATED (based on constant minimum operating cash balance of $6.0 billion)		
Mar. 15	6.0	397.3
31	6.0	395.3
Apr. 15	6.0	400.8
30	6.0	392.0
May 17	6.0	397.3
31	6.0	399.4
June 15	6.0	404.7
30	6.0	396.5

Exhibit 20.—Remarks by Deputy Under Secretary for Monetary Affairs MacLaury, September 21, 1970, before the National Association of Bank Women, Washington, D.C., on debt management and its relevance for economic policy

I want to thank you for this opportunity to participate in your annual meeting and share some thoughts with you on the subject of debt management in today's world.

If you are wondering why, with all of the exciting topics of current interest and concern, I have chosen debt management from the bottom of the pile, I can fully sympathize with you. There are basically two reasons—first, and most obvious, the problems of managing the public debt are part of my daily life at the Treasury. And just as collectors of butterflies can wax ecstatic about the secret life of the swallowtail, I find a certain drama in the arcane mysteries of pricing a note refunding in an uncertain market. But this would not be sufficient reason to bother you with the subject, were it not for a second fact—quite simply, that debt management has been so far down toward the bottom of the pile of subjects that people talk about, that it's time to dust it off and take a look at it again, if only to see whether its obscurity is deserved.

Debt management, as a national concern, is no "Johnny-come-lately" on the scene. In fact, one of the major accomplishments of the illustrious first Secretary of the Treasury, Alexander Hamilton, was to bring order out of the chaos that was the legacy of financing the Revolutionary War. Consolidating and funding the hodge-podge of earlier issues was a first order of business if the credit of the new Nation were to be established with foreign lenders on whom we depended at that time.

Over the years, the mores of prudent debt management have changed, reflecting the changing role of the Federal Government in the economic life of the Nation. There was a time, not too many years ago, when the notion of a permanent debt was abhorrent (even though in fact, the debt—except for one brief moment—had been permanent.) During that period the maxims of debt management were simple: (1) Avoid a "floating" debt—one that was short term and, hence troublesome. (2) To do so, fund the debt into long-term obligations. (3) Finally, pay the debt off in orderly fashion as it comes due.

The Great Depression of the 1930's and World War II changed all that. Out of the experience of the thirties there emerged a changed theory of the role of Government in the economy. This change was formalized in the Employment Act of 1946—in which the Federal Government pledged itself to promote stabile growth. And out of World War II came an unprecedented national debt. At the end of hostilities, that debt stood at just under $260 billion—nearly 1¼ times the total national output at that time.

In the years that have followed, there has been a growing acceptance of the fact that the Federal debt is a permanent, and indeed necessary, fixture in the financial life of the Nation. Given this acceptance of Federal debt as a fact of life, attention has turned from the frustrating and futile exercise of devising ways to pay off the debt—though we still get a good number of suggestions as to how this could be accomplished in the day's mail—to the problem of finding ways to manage the debt and, at the same time, contribute to national economic policy.

There is the old saw about economists, that if all of them were laid end-to-end they wouldn't reach a conclusion. Alas, I must report to you that economists are not in full agreement about debt management.

There are basically three views on the subject. One, the least ambitious—but not necessarily the least sensible—is to work toward a manageable debt structure and stick with it throughout the interest rate cycle—sort of a dollar-averaging approach to debt management. A second view would place greater responsibility on the Treasury to minimize the interest burden on the taxpayer by minimizing the costs of servicing the debt. The third view emphasizes the role of debt management as a tool for positive economic management in altering the overall liquidity of the economy. While it is sometimes the case that alternative views of the same process lead to identical policy prescriptions these varying views of the role of debt management unfortunately do not. They lead to quite different guides to action.

The dollar averaging approach to debt management is based on several plausible assumptions:

First, that there exists at any point in time a maturity structure for the Federal debt that facilitates the management—i.e., refinancing—of that debt in the least obstrusive manner, and, on average, at reasonable interest cost;

Second, that Treasury officials, despite their presumed competence, are in no better position to forecast interest rate fluctuations than other market participants, and therefore, should not be expected to gamble the taxpayers' money on their assessment of the likely interest rate swings; and

Third, that the possible advantages of either the "minimum cost" or "liquidity management" approaches are outweighed by the risk of potentially disruptive effects on financial markets and the economy from well-intentioned but poorly executed pursuit of either of these goals.

The minimum cost approach is more ambitious in that it places a greater premium on keeping interest costs low, and would argue that Treasury officials who aren't willing to be judged by their performance against this standard don't deserve the job. Obviously, there is great appeal to the notion that with the taxpayer paying the freight, borrowing operations ought to be handled in such a way as to minimize interest costs. (And there may be some appeal to the notion of frying Treasury officials for mismanagement!)

In theory, the prescribed course of action is simple enough—borrow long when interest rates are low, and short when they are temporarily high.

But as any one knows who has tried to play that game, it's pretty difficult to know with confidence when interest rates are "temporarily" high. In fact given the generally rising interest rate trend over the postwar period and the unprecedented rise in rates during the last couple of years, those who felt that they were minimizing interest costs by staying short—and they were certainly a majority—found that just the opposite turned out to be the case.

Finally, the third, or liquidity management approach argues that the Federal Government should use all the tools at its disposal, including debt management, in an effort to keep the economy tracking close to its full-employment potential. Again, in theory, the prescription is easy enough—shift debt toward the long end of the maturity spectrum whenever the pace of economic activity is overheated, with a view to: (1) Raising long-term rates and thus discouraging investment; and (2) reducing the liquidity of the economy and thus the potential for spending. And the opposite, of course, in periods of economic slack.

As you will note, this policy prescription is just the contrary of the minimum cost approach, and any debt manager who simultaneously tried to achieve both would be schizophrenic or worse. In any case, serious questions have been raised as to the validity and practicability of trying to influence the course of the economy through debt management. For one thing, debt management, in the sense of liquidity management, is now frequently considered to be just a branch, and a not very important branch, of monetary policy. On this argument, anything that could be achieved by the Treasury through shifting the maturity structure of the public debt countercyclically could be achieved more effectively by the "Fed," so why go through all the fuss. Second, there is a question as to whether anything at all is accomplished from the point of view of influencing the economy by changing the maturity composition of the public debt. It is argued that at any given time, holders of securities have a structure of liquidity preferences, and that small changes in the interest rate curve will induce shifts in private debt that would offset the influence of shifting public debt. In other words, aggregate liquidity can be influenced by monetary policy, but it cannot be influenced by changing the maturity structure of one segment, even though an important segment, of the total debt outstanding. Lastly, even if the liquidity management approach were without critics on theoretical grounds, there is a real question as to how effectively it could be put into practice, at least during periods of credit restraint. There is a limited appetite for long-term Government debt at any time, and contrary to what might seem logical, shoving out long-term debt in an unreceptive market doesn't just raise interest rates, it can demoralize the market itself.

Apart from the theoretical uncertainties and the practical constraints that I have mentioned so far, there are several other factors that seem to me to argue for a modest rather than an ambitious goal for debt management. One of these may surprise you—namely, that the Federal debt is becoming an increasingly less significant magnitude in the financial firmament. I have heard many comments about the crushing burden of the Federal debt. In some sense, this may be true; and whether true or not, it is certainly still a good target for political epithets. But the fact is, public debt in the hands of private investors has actually declined by about $6 billion since 1945. It's quite true that the total of public debt securities outstanding has increased from the $260 billion figure I mentioned at the outset to $364 billion at the end of last year. But during this same period, various Government trust funds have absorbed some $65 billion, and the Federal Reserve, to provide for the necessary increase in the money supply, has added $33 billion to its holdings of Government securities.

The decline in the role of Federal debt is even more dramatic when compared with other economic magnitudes. For example, Government debt in private hands was somewhat greater than our total national output in 1945, as I indicated earlier, but by last year, growth in output reduced the relative size to one-third of GNP. Similarly, during this period when total public debt increased less than 40 percent, corporate debt rose more than six times, mortgage debt nine times, and consumer debt 20 times.

Obviously, the declining relative weight of Federal debt has a bearing on the relevance of the liquidity management view as a guide to debt management actions. In other words, even if shifts in the maturity structure of the Federal debt did affect the economy, it is clear that the potential for any such effect has been dwindling with the passage of time, and is small relative to the potential effects of shifts in other forms of debt outstanding.

Though it may sound paradoxical, this declining relative importance in the size of the public debt has not brought with it parallel benefits in the ease with which the debt can be handled. There are several reasons for this. First, there are sharp seasonal swings in Federal revenues, both within the year and within each month, that have to be bridged through flexible borrowing. Second, there are times such as fiscal year 1968, when the Federal budget runs into sizable deficit, with the result that the Treasury must come to the market for large amounts of new cash. Finally, the Treasury in recent years has had to manage the debt with one hand tied behind its back, so to speak. It may sound incredible, but we are limited by a law dating from the first world war, half a century ago, to paying no more than 4¼ percent on bonds. This constraint has meant that the Treasury has been unable to issue any debt beyond 7 years maturity since 1965. With the passage of time taking its inevitable toll, the average maturity of the marketable debt has dropped from 5 years 4 months to 3 years 8 months. In effect, we have had to run increasingly fast just to stand still, as the volume of maturing coupon issues has risen to over $20 billion per year.

In fact, given the limitation of the 4¼ percent ceiling, the discussion of alternative strategies for debt management becomes somewhat academic. This becomes clear when you realize that the Treasury has offered the longest maturity legally open to it in nearly every refunding since 1965. And despite this, the volume of short maturities has been increasing. In other words, far from having the luxury to choose among various debt management goals, there is a serious question as to whether we have even been able to achieve the minimum target of stabilized dollar averaging.

Within these various constraints, the Treasury does, of course, take into consideration not only immediate market factors, but the state of the economy more generally, in deciding on a particular pattern for meeting its cash and refunding needs in a given period. Despite the limited range of available options, there are opportunities for shading the relative attractiveness of issues in various maturities and for altering the mix between bills and coupon issues. Thus, while there is little opportunity for any sizable shifting of public debt maturities, we do try to insure that the marginal impact of our operations is consistent with the needs of the market and the economy in a given situation.

If debt management in the traditional sense of handling the Government's own obligations efficiently holds little scope for innovation at the moment (and this does not rule out certain improvements in technique), there is a related area where new thinking and possibly new institutional arrangements are called for. I have in mind the growing importance of federally-sponsored credit programs. There is not time to go into this matter in any detail today. But let me mention that from a mere 1 percent of public debt issues in 1954, the obligations of federally sponsored agencies such as FNMA, the home loan bank, the farm credit agencies, etc., have expanded to the point that they are now equal to 10 percent of the public debt. The fact that these agencies are now outside the Federal budget, and that they are likely to be joined by new sister acronyms such as Sally Mae, EFA, etc., means that the task of insuring orderly marketing, and keeping some sort of control over their aggregate demands on the capital markets, is at one and the same time becoming more necessary and more difficult.

Thus, while the subject of debt management in the traditional sense may deserve the low profile it has had in recent years, the challenge of coordinating expanding Federal credit programs requires more airing than it has had to date. And for this reason, among others, I'm delighted to have had this opportunity to touch upon it briefly before this group of opinion makers in the financial field.

Exhibit 21.—Remarks by Deputy Under Secretary for Monetary Affairs MacLaury, October 16, 1970, before the Municipal Conference of the Investment Bankers Association of America, San Antonio, Tex., on the impact of the Federal Government on the market for State and local securities

When one talks about the impact of the Federal Government on the market for State and local securities, I can well imagine that different images come before different peoples' eyes. I have the distinct impression that during much of the past year the obvious difficulties of the municipal market were laid at the door of the Federal Government, and—to the extent Congress was not the culprit—specifically attributed to the actions and attitudes of the Treasury.

I'm referring, of course, to the trials and tribulations that attended the tax reform effort last year, and the questions raised more recently by the IRS concerning the deductibility by banks of interest costs associated with the carrying of tax-exempt securities. Although I don't hold out much hope of convincing you that we were not guilty on any count of the crimes alleged, I am glad that the improved market conditions of the past few months have cooled passions sufficiently to permit Treasury officials to appear once again with safety as guests on IBA panels.

I readily concede that tax collectors must always remain suspect in the eyes of those who buy, sell, or deal in tax-exempt securities. And indeed, the Treasury was once on record, back in 1942, as seeking the outright elimination of tax exemption on all securities, following its own foreswearing of the use of tax exemption the preceding year. But admitting this prejudicial heritage, I would still maintain that our actions over the past year should not be read as a failure to keep the faith but rather a reflection of the spirit of the times. After all, it would have been too much to expect. I think, that with tax reform the irresistible force of the day, tax-exempt securities would have escaped unnoticed. In fact, it seems more reasonable to argue that the miracle was that they emerged from the exercise completely unscathed.

Similarly, although I recognize that the question concerning IRS interpretation of section 265(2) of the Internal Revenue Code as it applied to banks came at an unfortunate time from the point of view of market pressure on municipal securities, I assure you that this timing was in no way intentional. Nor was this an effort to accomplish through administrative procedures what was not achieved in legislation, as I've heard alleged. Indeed, I think you will agree that the resolution of this difficult problem has met with general satisfaction on the part of the market.

If the Treasury is not out to "get" tax exemption there is no denying that certain aspects of the Federal Government's relationship and involvement with State and local financing do disturb us. One obvious concern—in fact one of long standing—is the continuing battle against pressures to provide Federal guarantees for tax-exempt securities. There is an obvious appeal to the idea of putting the Federal Government's name on a local government obligation as guarantor—it is a way to provide assistance to potential borrowers without any apparent cost, and this something-for-nothing aspect of the guarantee is hard to resist.

But clearly, there are costs associated with guarantees, apart from the obvious ones of making good in case of default by the borrower. One cost that is real though hard to measure is the homogenization of credit that results from indiscriminate use of guarantees. If we believe that, broadly speaking, the capital markets do an effective job of allocating funds to various borrowers on the basis of risk differentials, then drawing an ever-increasing segment of the flows in the capital markets under the Government's umbrella is unfortunate in that it undercuts this allocation process. By the same token, of course, if there are specific credit needs that are not being met, yet on social or other grounds there is a consensus that they should be, the Federal guarantee can be a useful way of changing the relative attractiveness of specific debt instruments. The key here is discriminating, rather than wholesale, use of Federal guarantees.

Another cost that is particularly relevant in the case of guarantees of local government obligations is the inescapable need for the Federal Government to become involved to a greater or lesser extent in the details of the projects that are being financed. This follows not only from the principle of discriminating use of guarantees, but also from the requirement that the taxpayers' money that is potentially at risk be committeed prudently.

Considerations such as those I've just mentioned apply to the use of Federal guarantees generally, but there are special problems when the securities to be guaranteed are tax exempt. In the first place, by putting its name on a tax-exempt obligation, the Federal Government is creating a piece of paper that is more desirable to investors than its own obligations. While I stick by my statement that we're not out to do in tax exemption, I don't think we should be expected to add our seal of approval and thereby enhance tax exemption at the Federal Government's expense. In fact, of course, it's not just the Federal Government that loses in this process, but State and local authorities as well, whose nonguaranteed obligations are required to compete with these super instruments.

Losses from Federal stimulation of tax-exempt issues through guarantees cannot be measured solely in terms of the presumably higher borrowing costs that will confront nonguaranteed issuers. The calculation must also take into account the inefficiency of tax exemption as a means of revenue sharing. This complex and controversial subject has been debated endlessly between the Treasury and the IBA, among others, and I have no hope of resolving the issue today. But I do want to go on record as personally being persuaded of the logic of the Treasury's position; namely, that the revenue loss to the Federal Government from tax exemptions substantially exceeds the value of reduced interest costs to State and local governments. If one pushed the logic of this position to its ultimate conclusion, one would have to admit that tax exemption as such should be abolished and the resulting increase in Federal revenues be distributed to local governments through subsidies. Again, however, I would emphasize that this is not the Treasury's position. At the same time, however, I see no reason why we should go to the opposite extreme and promote the expansion of an inefficient subsidy through the encouragement of Federal guarantees.

Frankly, the Treasury has been making so much noise about the adverse consequences of Federal guarantees of tax-exempt securities for so long, that this is no longer the hot issue it once was—though it still continues to crop up frequently. We now find ourselves having to do battle against a more subtle variant of the guarantee—the debt-service grant. Many of those who concede that the Government shouldn't be guaranteeing tax-exempt securities outright are nevertheless attracted by the concept of the debt-service grant. This attitude even flourishes in some areas of the Government, I must sadly confess. Yet the debt-service grant is not only analogous to a guarantee in that the lender looks to Federal Government revenues as the source of his assured repayment, but it is analogous in the sense of Federal Government sponsorship and stimulation of additional tax-exempt borrowing. Indeed, in this last respect, it is worse than a guarantee since it normally inspires a larger amount of local government borrowing than would a program relying on a combination of lump-sum grants and guarantees. Let me explain. The attractiveness of the debt-service grant from the point of view of the Federal Government is the seemingly larger bang for the current budget buck. Thus, to stimulate a given level of capital outlays, the Federal Government can put up less money in the form of lump-sum grants to local authorities, and instead stimulate the financing of a larger share of the program through local government borrowing on the basis of promises to pay in the future. So far as the Federal budget is concerned, it's "fly now, pay later."

The price of reliance on debt-service grants is not only magnified expansion of local government borrowing, but built-in rigidity for the Federal budget. Everyone laments the fact that Federal expenditures seem to have a life force of their own that is very difficult to influence. This phenomenon has many causes, of course, but one of them certainly is the fact that so many outlays are uncontrollable in the short run. Interest on the national debt is the usual example, along with transfer payments under social insurance programs. But the contractural obligation to pay debt service on local government securities is just as uncontrollable. In effect, the greater the shift from lump-sum grants to debt-service grants, the greater the loss of budget flexibility and the greater the difficulty in shifting national priorities.

The impact of the Federal Government on the market for State and local securities is not confined to the issues we have been discussing so far: Tax reform, IRS actions, guarantees and debt-service grants. In fact, the latter two are simply outward manifestations of the more basic influence of Federal programs on the tax-exempt market. In the broadest sense, of course, the way in which the Federal Government finances the totality of its programs—by taxes or by borrowing—has a very real impact on the availability of funds for investment in State and local obligations. But I am referring more specifically to the growing array of "partnership programs" to be financed jointly by Federal and local governments.

This partnership concept is by no means new. One of the "granddaddys" in this area, both in terms of size and longevity, is the public housing program. It is estimated that this year, fiscal 1971, public housing and urban renewal will generate some $2 billion of obligations to be financed in the tax-exempt market. Over the next 5 years the development of waste treatment facilities under the emergence of State agencies formed for the specific purpose of raising funds in the tax-exempt market and rechannelling these funds into the private housing market is a case in point. Several States have set up such agencies with plans to raise hundreds of millions of dollars in the near future. If this practice spreads to other States, the result could be added demands on the tax-exempt market of significant proportions—significance in the sense that the added supply of tax-exempts would so force rates up as to diminish further the differential between tax-exempt and taxable bond yields.

What can the Federal Government do to help the municipal market? By far the most important contribution would be to provide a climate of noninflationary growth in the entire economy. At the same time the Government must establish better control over the growth of Federal credit programs, taking them into account as we set the course for monetary and fiscal policies. Where it seems appropriate, federally sponsored programs should provide alternative methods for financing the local government participation. Several innovations have been made this year alone, and more are pending before Congress. The recently passed medical facilities bill makes it possible for the Department of Health, Education, and Welfare to purchase and sell debt obligations arising in connection with publicly owned health facilities. The Secretary of Health, Education, and Welfare is authorized to sell these obligations in the private market with Government guarantees and on a taxable, not on a tax-exempt, basis. As you know, the 1971 budget contains provisions for loans to rural communities by the Farmers Home Administration to be sold to private investors with a Government guarantee. Under proposed legislation, these asset sales would give rise to taxable rather than tax-exempt obligations.

Finally, there is the administration proposal for an Environmental Financing Authority. This agency would borrow funds in the private market by issuing taxable securities, for the purpose of lending these funds to State and local governments to finance their portion of the construction costs associated with the development of waste treatment facilities in those projects currently receiving grants from the Department of the Interior. Only those municipalities that were unable to borrow the required funds at reasonable rates would be eligible to use EFA's facilities. This proposal has already received widespread support in Congress, and was recently endorsed by the Advisory Commsision on Intergovernmental Relations.

All these innovations have one thing in common: They are designed to relieve some of the added strains that will be placed on the tax-exempt market by federally sponsored programs by permitting a portion of the financing requirements to be shifted to the taxable market. We believe that this approach has much to commend it from the point of view of all parties involved. Far from constituting a threat to the privilege of tax exemption, these innovations will have the effect of preserving the value of that privilege. If tax exemption is threatened, it is threatened by a potential inundation of issues, not by the Machiavellian machinations of the Treasury.

Exhibit 22.—Remarks by Assistant Secretary Weidenbaum, October 6, 1970, before the Municipal Finance Forum, Washington, D.C., on a reevaluation of Federal credit programs

I am delighted to have the opportunity to appear before the Municipal Finance Forum to discuss the role of Federal credit programs in governmental budget policy. The current rapid expansion of these Government and Government-assisted lending activities raises a number of broad public policy issues—

the size of the public sector, the role of the Government, the structure of financial markets, the effectiveness of monetary and fiscal policies, and the relative importance of large sectors of the Nation—agriculture, housing, foreign trade, and so forth.

After trying to piece together a picture of recent and prospective developments in the area of Federal credit programs, I would like to discuss several of the major problems stemming from the current treatment of credit activities in the Federal budget. Finally, I will outline some of the major issues and indicate some promising approaches. When I speak of "us," I refer not only to the administration or to Government; these issues have a bearing on all participants in the economic process. But before launching into these matters, it may be helpful to review some of the basic functions of a financial system. We can then think about the Federal credit programs in terms of their impact on these basic functions.

In any assessment of the implications of Federal credit programs, we need to be concerned with their impact on resource allocation and with their effects on the efficiency of the financial system.

When a national government enters financial markets, it possesses advantages not available to private borrowers such as its position as a virtually riskless borrower. To some extent, as we will see, it can transfer some of these governmental attributes to ostensibly private organizations who are empowered to issue obligations backed or otherwise supported by the U.S. Treasury. Thus, even if the Federal Government itself exercises restraint in its direct borrowing, expanded credit operations by these "assisted" agencies may result in increasing portions of available funds being preempted and not available to truly private borrowers.

Against the background of these remarks, I would like now to turn to a description of the present treatment of Federal credit programs in the budget.

Present treatment of credit programs

As recommended by the Budget Concepts Commission, the Federal budget totals cover only "direct" loans. That is, loans are included in the unified budget only when they are made directly by agencies of the Federal Government, including trust funds and mixed ownership corporations.

The budget does not include what are termed "federally assisted" loans. For example, loans by agencies which are federally sponsored but are entirely privately owned—such as the Federal National Mortgage Association (FNMA), the Federal home loan banks, and the farm credit agencies—are no longer included in the budget. Similarly, federally guaranteed loans—which include loans financed in the municipal market, e.g., for public housing and urban renewal—and nonguaranteed loans made by private lenders with a Federal interest subsidy, such as for college housing and academic facilities, are not included in the unified budget.

As it turns out, this particular accounting convention means that the bulk of Federal credit assistance is excluded from the budget. Of the estimated $22 billion net increase in Federal and federally assisted loans for fiscal 1971, only $1½ billion are included in the budget.

The funds for federally assisted private credit must come from some place other than the Federal Government. They are borrowed from the public. If the budget forecasts are realized, there will be $20 billion of net borrowing in fiscal 1971—well over 20 percent of the funds advanced and borrowed directly in credit markets, and about one-third greater than in fiscal 1970. Moreover, there is every presumption that federally assisted credit financed outside the budget will continue to grow rapidly after 1971.

Problems in the current treatment of credit programs

The fact that a Federal program is big and growing does not by itself mean that it is cause for concern. It may simply reflect the success of the program. It may simply be evidence that the program works. What then is all the fuss about?

It strikes me that the federally assisted credit programs pose several important problems that should be faced explicitly. It may be that we would choose to do nothing about these problems. (An old professor of mine once told me that there are two kinds of problems: those about which you can do nothing, and those that go away of their own accord.) Even so, I want to be sure that the problems to which I shall allude are fully recognized and that we do not simply lose ground by default.

At the present time Government control over the growth of federally assisted credit programs is quite limited. I am sure that some people would view this state of affairs as desirable, and not a problem. However, in light of the way in which these programs have been developing, I believe that we need to take note of some of the problems that have emerged.

1. A major share of the federally assisted loans outstanding in fiscal 1971 will require direct Federal payments of interest or other debt service subsidies. Based on the budget estimates, the increase in directly subsidized loans this fiscal year will amount to $7.8 billion, or more than double the $3.7 billion increase in fiscal 1970. Thus, we are building additional "uncontrollable" items into the Federal budget. As a result future economic decisions become increasingly less responsive to future needs and strongly limited by decisions based on the needs of the past.

2. A second problem is related to the method of financing. Over $3.6 billion of the estimated net increase in guaranteed loans outstanding in fiscal 1971 will be financed by net sales of loan assets. For the most part, these are loans made initially by Federal agencies and then sold to private investors as 100 percent guaranteed instruments (e.g., Farmers Home Administration notes, Export-Import Bank certificates of beneficial interest, etc.). All of the additional financing costs are absorbed by the Federal selling agency and not by the borrower. The Federal agency generally continues to service the loans after they are sold.

What does all this accomplish? The Federal Government has influenced the allocation of resources in the economy but has done so outside of the discipline of the budget and without reference to the broad economic plan outlined within the budget. Also, in doing this we have not taken advantage of the most efficient means of financing—direct Treasury borrowing.

3. Finally, it must be recognized that the very nature of credit assistance is to create advantages for some groups of borrowers and disadvantages for others. Perhaps I should put this thought somewhat differently. A Federal credit assistance program would seem to overcome initial disadvantages of some groups and thereby place them on a more equal footing with others.

However, as matters have worked out, it seems that these programs not only avoid the discipline of the Federal budget but also escape some of the basic monetary policy restraints. By converting direct loans into securities that are more attractive to many investors, housing and a few other Government programs have been able to hold their positions in a difficult capital market. In particular, they have been able to overcome, to some extent, the restraints imposed upon institutional lenders and others who must rely upon deposit-type savings inflows, especially during periods of financial stringency. As a result there is a further reduction in credit supplies to those who, by virtue of their limited credit reputation, must rely most heavily upon banks or other intermediaries.

Consider another example: An increasing volume of guaranteed loans is now being made at fixed interest rates to the borrowers, below the market rates charged by the private lenders. Specific activities so financed include academic facilities, college housing, students' tuition, agricultural and other rural facilities, and low- and moderate-income housing—all worthy purposes. In each case, a Federal credit agency pays the difference between the fixed rate paid by the borrower (say 3 percent) and the market rate required by the private investor. During periods when market interest rates increase, the relative advantage to the newly subsidized borrower actually increases. Far from being placed on an equal footing, such borrowers actually are placed at an advantage. The borrower has always had a vested interest in inflation, but for most borrowers that interest emerges after the loan contract has been made. The subsidized borrowers in these cases actually benefit from high interest rates and an inducement to obtain the federally assisted financing.

Previously, loans such as those just described were generally included in the budget as direct loans. Accordingly, they came under budget scrutiny. Now, subsidized borrowers tend to be insulated from both monetary and fiscal restraints.

To pull together some key threads, let me make the following points. So long as federally assisted loans are excluded from the budget and not otherwise subject to effective controls, there will be the potential for problems arising in five areas: 1. Increased Government involvement in private credit flows, with borrowing techniques that are substantially exempt from the discipline of both the budget and the private market; 2. higher budget outlays for interest subsides; 3. further proliferation in the capital markets of inefficient and, at times, inequitable forms of Federal guaranteed obligations (e.g., asset sales, tax exempt bonds); 4. higher interest rates than would otherwise be experienced; and 5. misleading changes in budget estimates.

Possible changes

What should be done? The complexity and variety of Federal credit programs require that any changes be carefully developed and reviewed within a fairly broad context. First, we should have a clear conception of the nature of the problem. In this connection I should indicate that the question of Federal credit programs has been receiving and continues to receive a great deal of attention.

Let me offer some ideas which would seem to merit that careful development and review. Hence, the following are suggestions for consideration rather than any firm recommendations.

1. There seems to be a clear need for greater emphasis on federally assisted credit programs in the formulation of the Nation's overall budget and economic plans. It is important that the economic impact of the relevant programs be explicitly considered and acted upon during the budget decision process. We should satisfy ourselves that these programs are consistent with economic stability and growth as well as with budget priorities. Decisions to give certain groups of borrowers more or better access to credit markets than would otherwise be the case may often require offsetting fiscal or credit policy changes. In other occassions, it may even be necessary to impose controls over the total volume of federally assisted programs in order to prevent an undue stimulation to the economy or to some sectors.

2. This leads to my second major proposition. There needs to be an improvement in controls over the total volume of federally assisted credit. At present, Federal controls, when exercised, are uneven and subject to considerable time lags. There is no readymade remedy that is apparent. Moreover, procedures should be established that permit review of commitments far enough in advance to permit an evaluation of their likely impact on the economy at the time the commitments are to be taken down.

3. A related need is for improvements in the review of specific credit program sectors. Each sector should be evaluated in the light of related budget programs in the functional area concerned.

4. Finally, my own thinking has led me to the judgment that, as a matter of longer range policy, we should minimize the sale of assets as a financing technique and minimize the debt service subsidy as an assistance device. It strikes me that the chief test is whether a program is justified on its merit and in light of program priorities. If so, I am moving toward the belief that, wherever possible, the program should be budgeted explicitly and that the lending should become a part of the normal Treasury financing process.

Of necessity, such changes would compel more stringent cutbacks in some areas, expanded budget outlays in others. In either event, the budget impact would be brought in line with the impact on the use of economic resources and on financial markets. To the extent that additional Treasury borrowing substitutes for federally subsidized private borrowing, the longrun budget costs would be reduced. Finally, these programs would be subject to the same budget discipline as other programs, and their growth could be more easily appraised and controlled.

It is important to emphasize the point that Federal credit programs are more than mere financing instruments. Changes in the nature and volume of these programs also become changes in public sector priorities and in the allocation of national resources. Hence, any suggested changes need to be reviewed carefully and in a broad enough framework to take account of these interrelated concerns.

Exhibit 23.—Remarks by Assistant Secretary Weidenbaum, November 19, 1970, before the National Association of Regulatory Utility Commissioners, Las Vegas, Nev., on the outlook for financing and inflation

There is a long-standing tradition in the Treasury that we do not try to forecast the future trend of interest rates. Whether this policy can be traced back to Alexander Hamilton, the first Secretary of the Treasury, I do not know. I do know, however, that it is the distillation of great wisdom so I will try in my remarks to avoid any violation of that principle. Nonetheless, a view from the Treasury may be useful in helping to focus on some important influences on capital markets and investment decisions.

On this occasion I should like to concentrate on more immediate matters—the budgetary position, Treasury financing requirements, and the difficult problem of inflation.

In the longer haul, however, I think we must also consider the possibility that we have entered a period in which there may be a tendency for the demand for capital to outrun the supply. On the one hand the age distribution of the population, if past savings patterns are maintained, suggests that the personal savings rate could decline over the next decade or so although rising affluence might require this supposition to be modified.

On the other hand we are all aware of the tremendous demands for new capital investment. I need mention only the national housing goal and demands for pollution abatement as defining two areas in which investment requirements will be greatly expanded. The needs of the utilities industry provide a third example.

Thus we may be in a period in which interest rates will tend to be high rather than low and in which the competition for funds in securities markets in particular will be sharp. And this is without allowing for the possibility of the effects of some other changes which now seem to be underway.

Housing through FNMA and the home loan banks and GNMA-guaranteed mortgage-backed bonds, for example, may more and more be financed through securities markets rather than through savings institutions. Our experience in the last few years during which Federal credit programs have expanded mightily suggests that housing will not be alone in this. Many other claimants for investment funds also appear to believe that the capital markets are almost infinitely expansible and that all their needs can readily be met simply through issuing securities.

But I indicated at the outset that I would concentrate on some more immediate influences.

During this past year progress has been made in establishing a foundation for a renewed period of more stable prices and real economic growth. But, as we are all aware, achieving this first step has not been easy and indeed has been costly in terms of unemployment, reduced industrial output, and increased unutilized capacity. It has been only recently that the first dividend, some slowing in the rate of inflation, has become apparent except perhaps in the heat of a political campaign.

At any rate we have had, since the first of the year, a general easing in credit conditions particularly in the short-term area. Interest rates today in these markets are at or below the rates prevailing in early 1969. So from the short-term borrower's viewpoint the market situation is at least as good as it has been for about 2 years. The decline in rates, however, has not been as dramatic in the long-term area where present rates are not much below the high levels prevailing at the start of the year.

In part the apparent stickiness of long-term rates is the usual cyclical phenomenon. Short rates are much more volatile. In part high long-term rates also reflect a continuing strong demand for capital by corporations and municipalities.

In addition, however, we are now seeing debt funding on a growing scale. Many borrowers, who financed short during the period of highest rates, are now finding it desirable and necessary for a variety of reasons to adjust their liability structure and to reduce their short-term debt to more reasonable levels.

Thus we are now experiencing a kind of "reverse twist" operation. In long-term markets we continue to have extremely heavy calendars for both corporate and municipal bonds. Long-term municipal bond rates, as measured by the IBA's series on new 20-year municipal bonds have hardly fallen below the level reached at the end of 1969 even though they are sharply down from the very high peaks reached in June this year.

Treasury's own series on new Aa corporate bonds shows a similar pattern. Present rates are just below December 1969 levels, but there has been a substantial decline from the June peak which was reached at a time when capital markets were close to a crisis-type atmosphere.

Trends in Treasury financing

The improvement in capital markets has also been reflected in the yields the Department of the Treasury has had to offer on its new securities. The yield curves which we have drawn successively for the February, May, August, and November refundings have been successively lower. Indeed the recent dramatic drop in rates in the Treasury market allowed our most recent financing—an 18-month note sold at auction—to be sold at the lowest cost to the Government for a comparable issue in nearly 2 years.

Treasury financing requirements, however, remain relatively heavy. To give some perspective, a year ago in the July–December 1969 half of fiscal year 1970, we incurred a half-year budget deficit of about $8 billion. In that same half year gross Treasury market borrowing totaled in the neighborhood of $14 billion. The difference between the borrowing total and the deficit was accounted for largely by the retirement of $4 billion of Treasury debt (attrition on maturing issues and the cash payoff of December tax anticipation bills) and $2 billion of agency debt and participation certificates.

In the current half year, July–December 1970, our estimates are that there will be a budget deficit in the vicinity of $16 billion and that gross Treasury market borrowing will be about $17½ billion. Taking into account debt retirement totaling about $3½ billion (attrition, including attrition in the November refunding and the payoff of the September TAB's) our net cash borrowing in the market should total about $14 billion, of which all but $2½–$3 billion has already been done.

With reference to the outlook for the second half of the fiscal year, I have little to add to the discussions about the size of the overall budget deficit. The figure for the whole fiscal year clearly will not be as little as the $1.3 billion estimated in May. Just to provide some perspective, one can anticipate that on balance the Treasury will be retiring some debt in the second half of the fiscal year, although perhaps not a great deal, even if the budget deficit were as much as $15 billion. In any event the only large surplus months are likely to be April and June.

I have already commented on the attempts of private borrowers to lengthen their liability structure and to bring it into better balance with their assets. The Department of the Treasury too feels this same pressure.

Since June 1965 the average length of the public debt in private hands has been declining sharply. Indeed in this period of just 5 years and 5 months the average length has shortened to 3 years and 7 months.

From a debt manager's point of view, the average length, of course, is simply a summary statistic. What it represents is a substantially larger debt management task. Despite the dramatic turnaround from the fiscal 1968 deficit of $25 billion we have, however, seen our annual refunding problem (coupon securities) rise by about 50 percent—from $14 billion of maturing debt in 1968 to $22 billion in 1969 and in 1970, and to $23 billion ahead of us in 1971. The yet-to-be-determined figure for 1972 already has $18½ billion in it, with more in prospect if we are obliged to issue short-term obligations in the first half of 1971.

Also in looking at our liability structure, we are impressed by the fact that the amount of very short-term debt under a year has risen dramatically in recent years. In other words there is a growing concentration of our liabilities and an indication of future financing problems.

As you know, we recently have undertaken the first Treasury coupon auction in 35 years. We believe that the auction technique could become a fairly routine method for the issuance of new coupon securities. This does not mean necessarily, of course, that it would entirely supplant more traditional methods of pricing Treasury issues; but in times when markets are moving rapidly as they have been this past year, traditional marketing techniques involve substantial risk. Between the date on which the security is priced and the date on which the books are closed there can be such large changes in market conditions that the pricing is no longer appropriate; and here we are concerned both about too thin pricing, in which case subscriptions might become inadequate, and too rich pricing, in which case there would be windfall profits and a stimulus to undesirable speculative activity.

Putting all of these considerations in the balance, we are also somewhat optimistic that use of the auction technique may make it easier to do more of our cash financing outside of the bill area. In retrospect, we find that substantially all of Treasury's cash financing in recent years has been through regular bills or tax bills.

Concentration of Treasury offerings in a limited sector of the market has created debt management difficulties and also has been one factor in stimulating

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disintermediation with its wide-ranging consequences. Indeed, we hope that we will have widespread support for removing the 4¼ percent ceiling.

I would like briefly to refer to the borrowing activities of the various Federal agencies, both those which are still included in budget accounts and those which have become privately owned.

From the end of 1965 through June 1970, the amount of such agency debt has risen by $27 billion, or nearly 150 percent. During 1969 and the first half of 1970, largely to provide funds to the housing market, the Government-owned and Government-sponsored credit agencies borrowed a total of $12½ billion. In the current half year, it appears that they will raise something approaching $3½ billion through additional new borrowing.

In summary, I look to the longer run factors that may tend to hold interest rates at relatively high levels when viewed in historical perspective. In the shorter run outlook, as the economy comes into better balance, there should also be a better balance between the demand for and supply of funds. There are also new factors in the market. We have Federal agencies, such as FNMA and the home loan banks on a larger scale than before and GNMA-guaranteed mortgage-backed bonds, which will give new claimants readier access to securities markets. Treasury financing also will be a major factor.

The problem of inflation

Because of the important interrelationships between the levels of interest rates and the pace of inflation, I would like to turn briefly to that latter subject. I would like to offer a personal evaluation of the inflation problem and to deal with the difficulties as straighforwardly as I can.

Some perspective is needed so we avoid a fruitless "Who shot John?" type of discussion. During the first half of the decade of the 1960's, the American economy experienced a period of considerable business prosperity in which corporate profitability reached relatively high levels. Meanwhile, labor costs remained fairly constant as wage increases tended to be in the zone where they could be absorbed by rising productivity. Indeed rising wage rates were a mechanism through which the gains in productivity were shared with the consumer sector of the economy. The trends in profits and wages were, of course, closely interrelated.

A quite different situation was obtained in the second half of the decade of the 1960's. Wage rates escalated as productivity slowed down and profit rates declined to quite low levels. In 1970, we still are operating with the legacy of the late 1960's.

In this decade-long perspective, I find it hard to identify either heroes or villains or even many net winners or losers. However, what does seem clear is the nature of the present inflationary pressures and the necessary conditions for alleviating them. What is clear is that we are no longer in the stage where an overheated economy—one where aggregate demand exceeds current productive capacity—is the basic cause of inflation. Also, relatively low profitability indicates that the inflationary pressures are not now coming from business as a whole.

As I see it, we are now in the stage where rising wage costs—rising faster than productivity—are the major force pushing up prices and thus keeping us from making substantial progress in reducing inflation; but the objective to strive forth should not be confused. It certainly is not to bring down wages or even to keep wages from rising. That is neither necessary or desirable for a healthy economy and an equitable society.

We also need to keep in mind that other elements of cost—including profits—from time to time do contribute and have contributed to inflationary pressures. In the service area, for example, proprietors' income (especially of professional personnel) often rises far faster than any gains in efficiency.

The task of economic policy at present is to convince the participants in wage-price decisions that unless they can more closely relate wage and other cost increases to productivity growth than they have been doing this Nation faces a continuing inflation problem.

Let me frankly cite a paradox that I find intriguing. In earlier periods when wages went up far less rapidly, the real living standard of the average worker rose steadily. But since wage rates have escalated, the average worker's real living standard has tended to stagnate. Literally, "The faster we go, the behinder we get."

The key to solving this paradox, of course, is similar to the problem that arises when everybody at the ball park stands up to get a better view of the game. If all the spectators would sit down, they would all get as good or better a view, and with far more comfort. In the case of the wage-price treadmill, unless we get off it, the inflation will leave few people better off from their exertions and many worse off.

Moreover, the continuing inflation inhibits the return to full employment because inflation inevitably exercises some restraint on expansionary policies. This key point must not be overlooked: In a modern economy one of the prices that our society tends to pay for inflation is a higher level of unemployment than might otherwise be the case. In the absence of a better balance between compensation and productivity, economic policies must surely be less expansionary than would otherwise be appropriate.

As one of my colleagues in the administration recently stated, we cannot afford to exclude from consideration in advance any measures that have a reasonable claim for making a contribution to the goals of full employment and reasonable price stability. I personally favor neither compulsory wage and price controls at one end of the policy spectrum nor merely general appeals for moderation at the other end of the spectrum.

Rather, I do mean the conscious effort to create a new climate in which more reasonable and sensible wage-cost-price decisions are made and particularly in those areas of the economy where substantial concentrations of private power exist. Until this climate is achieved, or unless these substantial concentrations of private economic power are reduced, I find it hard to see how we can soon arrive at those two highly desirable and interrelated objectives—the return of full employment and the substantial and sustained reduction in inflation. That is the challenge of economic policy that now faces us all.

Exhibit 24.—Other Treasury testimony on Federal debt management, revenue sharing and closely related subjects published in hearings before congressional committees, July 1, 1970–June 30, 1971

Secretary Kennedy

Statement published in the hearings before the Joint Economic Committee of the United States, 91st Congress, 2d session, on the state of the economy, July 21, 1970, pages 448–454, 480–513.

Secretary Connally

Statement published in hearings before the Committee on Appropriations, U.S. Senate, 92d Congress, 1st session, on the budget of the United States for fiscal 1972, February 19, 1971, pages 103–143.

Statement published in hearings before the Committee on Banking and Currency, House of Representatives, 92d Congress, 1st session, on H.R. 4246, to extend until March 31, 1973, certain provisions of law relating to interest rates, mortgage credit controls and cost-of-living stabilization, February 23, 1971, pages 4–5.

Statement published in hearings before the Committee on Appropriations, House of Representatives, 92d Congress, 1st session, on the Federal budget for 1972, February 24, 1971, pages 6–8, 37–44, 63–98, 103–131.

Statement published in hearings before the Joint Economic Committee of the United States, 92d Congress, 1st session, on the administration's approach to economic problems, February 26, 1971, pages 584–628.

Statement published in hearings before the Subcommittee on Treasury, Post Office and General Government, Committee on Appropriations, House of Representatives, 92d Congress, 1st session, on 1972 budget requests for the Department of the Treasury, March 17, 1971, Part 1, pages 400–528.

Statement published in hearings before the Subcommittee on Treasury, Post Office and General Government, Committee on Appropriations, U.S. Senate, 92d Congress, 1st session, on Department of the Treasury appropriation requests for the fiscal 1972, April 27, 1971, pages 2–56.

Under Secretary Walker

Statement published in hearings before the Subcommittee on Education, Committee on Labor and Public Welfare, U.S. Senate, 91st Congress, 2d session, on the secondary market provisions of the Higher Education Opportunity Act of 1970, August 12, 1970, pages 1961–1995.

Statement published in hearings before the Committee on Banking and Currency, House of Representatives, 91st Congress, 2d session, on H.R. 19828, to use Treasury tax and loan accounts to encourage investments in various types of socially desirable lending programs, November 25, 1970, pages 3–6.

Statement published in hearings before the Subcommittee on Financial Institutions of the Committee on Banking, Housing and Urban Affairs, U.S. Senate, 92d Congress, 1st session, on S. 1201, to extend certain laws relating to the payment of interest on time and savings deposits, the control of credit and economic stabilization, to vest in the Federal Reserve Board authority to establish variable reserve requirements based on bank assets; and H.R. 4246, to extend until March 31, 1973, certain provisions of law relating to interest rates, mortgage credit controls, and cost-of-living stabilization, March 31, 1971, pages 39–53.

Under Secretary for Monetary Affairs Volcker

Statement published in hearings before the Committee on Commerce, U.S. Senate, 91st Congress, 2d session, in the matter of possible financial assistance to the Penn Central Railroad, November 24, 1970, pages 739–748.

Statement published in hearings before the Committee on Finance, U.S. Senate, 92d Congress, 1st session, on H.R. 5432, to extend the interest equalization tax, March 15, 1971, pages 18–41.

Statement published in hearings before the Subcommittee on Legal and Monetary Affairs, Committee on Government Operations, House of Representatives, 92d Congress, 1st session, on H.R. 6077, to remove certain limitations on the granting of relief to the owners of lost or stolen bearer securities of the United States, March 30, 1971, pages 4–41.

Statement published in hearings before the Committee on Banking and Currency, House of Representatives, 92d Congress, 1st session, on H.R. 7632, to extend for 2 years the authority of Federal Reserve Banks to purchase U.S. obligations directly from the Treasury, June 15, 1971, pages 2–15.

Assistant Secretary for Economic Policy Weidenbaum

Statement published in hearings before the Joint Economic Committee of the United States, 92d Congress, 1st session, on why revenue sharing is needed, February 22, 1971, pages 322–326.

Taxation Developments

Exhibit 25.—Letter from Secretary Kennedy to the Speaker of the House, July 30, 1970, submitting recommendations for postponement of scheduled reductions in excise taxes on automobiles and communication services, acceleration in time of payment of gift and estate taxes, and a tax on the lead content of additives used in gasoline. (A similar letter was addressed to the President of the Senate.)

DEAR MR. SPEAKER: The President has recommended three tax measures on which we urge immediate action by Congress. These include a postponement of scheduled reductions in the automobile and communication services excise taxes for an additional year until January 1, 1972; an acceleration in the required time of payment of gift and estate taxes; and a tax on lead additives used in the refining of gasoline. The first two of these measures are designed to serve principally as short-term revenue raising measures, although the acceleration in payment of estate and gift taxes is desirable for other reasons as well. This acceleration improves the operation of the estate and gift tax laws by giving the Government, subject to reasonable limitations, a more current use of its tax revenues. The tax on lead additives in gasoline is necessary at this time to take an essential step forward in our battle against increasing air pollution. In order to facilitate early action on these three recommendations, I am enclosing draft bills for consideration by Congress. The following explanations should facilitate understanding of these proposals.

Excise tax extension

The postponement of scheduled reductions in excise taxes on automobiles and communication services will prevent a revenue loss of $650 million in the fiscal year 1971 and $1,250 million in the fiscal year 1972. This postponement has already been taken into account in the fiscal 1971 budget and is essential to maintain a fiscally responsible position.

Acceleration in gift and estate tax payment

The proposed acceleration will result in approximately $1.5 billion in additional receipts for fiscal year 1971 and will assist in providing for the cost of the Government-wide pay increase which accompanied the postal pay settlement. The Treasury Department has previously submitted to the Congress detailed recommendations for implementing the President's proposal. The enclosed draft bill carries out these recommendations.

Under this bill the filing of the gift tax return and payment of the gift tax will be required on a quarterly basis, that is, on the last day of the month following the end of the calendar quarter in which the gift was made. Under present law it is possible to defer payment of gift taxes for as much as 15½ months after the gift is made. Quarterly returns and payment will not prove burdensome. The timing of gifts is at the donor's option, and gifts made during any calendar quarter are readily identifiable. At the present time a substantial majority of taxpayers making taxable gifts make all such gifts in a single calendar quarter of any taxable year. Thus it is expected that few additional gift tax returns will be required under the quarterly system.

The bill also requires payment of an estimated estate tax 7 months after death. This payment will consist of 80 percent of the estate tax which would be due if the gross estate were valued as of the date of death.

Every effort has been made to ease the impact of this proposal on those estates for which payment of an estimated estate tax might be difficult. The estimated estate tax return will be required only if the gross estate, based on date of death values, exceeds $150,000. As a result the requirement will apply to only about 35,000 of the 100,000 estates for which estate tax returns are filed annually. In addition, the estimated tax payment required will be limited to the value of the net liquid assets 6 months after death. Net liquid assets would include cash, readily marketable securities, and other liquid assets in the gross estate less funeral and administration expenses, debts payable within 15 months after death, and an allowance of $15,000 for a surviving spouse or minor child plus $5,000 for each additional surviving minor child. This limitation on the amount of estimated tax required to be paid will prevent hardship for those estates which consist of nonliquid assets. While the enclosed draft bill does not provide for it, further attention is being given to whether interest should be charged on the estimated tax payment which would be due but for the net liquid asset test, or but for an extension in time of payment of the tax under sections 6161, 6163, or 6166 of the Internal Revenue Code of 1954. This would avoid any discrimination in favor of nonliquid estates.

At the same time we are reexamining the provisions of regulations governing extensions of time for payment in an effort to grant extensions on more liberal terms where the net liquid asset test is itself insufficient to prevent any hardship.

This bill provides that any property included in the gross estate which is sold within 6 months after death will be given long-term capital gains treatment. This avoids taxing the executor too heavily on short-term gain on appreciation in value occurring after the decedent's death where, for example, assets must be sold to make the estimated estate tax payment. The bill provides a quick refund procedure if the estimated estate tax payment exceeds the tax finally due as, for example, where the alternate valuation date is used. Interest would also be paid on such an overpayment.

This recommendation for an estimated estate tax payment has generated considerable interest and controversy. The American Bankers Association and the American Bar Association have proposed an alternative under which the time for filing the Federal estate tax return and paying the tax would be changed from 15 months to 9 months after death. An accompanying change would reduce the alternate valuation date from 1 year to 6 months after death. This alternative also calls for a speedup in the audit of Federal estate tax returns and the release of fiduciaries other than the executor from personal liability for the tax.

This appears to a number of taxpayer representative groups to be a preferable alternative, and the Treasury Department is intensively studying the proposal and may find it to be entirely acceptable. We will urge the Ways and Means Committee to consider carefully the comparative advantages and disadvantages of the two alternative approaches. If this second alternative proves to be a more efficient means of raising the $1.5 billion additional revenue for fiscal year 1971, the administration will support it.

Tax on lead additives

The proposed tax of $4.25 per pound of lead on lead additives used in gasoline is a vital element in the administration's priority program to reduce air pollution. It will create an immediate, effective incentive for the rapid conversion to gasoline with a low and eventually lead free content. This conversion is necessary to provide assurance now that the development of emission control systems for automobiles, which is presently being undertaken by private industry, may go forward without delay. These systems will be required to meet Federal emission standards, but development is impeded by the use of leaded gasoline in our automobiles. Under present technology the devices will not operate satisfactorily with gasoline containing lead. Unless we provide assurance today that the lead content of gasoline will be drastically reduced and ultimately eliminated, private industry developing the systems has no assurance they will operate effectively, and the speed with which they are developed will be adversely affected.

Furthermore and equally important, lead levels in the environment, largely as a result of automobile emissions, have been increasing, and there is growing concern as to the effects of this change on human health. The amount of particulate emissions (solid materials) from engine exhausts can be significantly reduced by removing lead from gasoline. We must act promptly to reduce, and eventually eliminate, the lead content of gasoline to deal with this danger to our national health levels.

The Treasury Department has provided the Congress with the main features of the proposed tax. In order to place specific legislation implementing the President's recommendation before the Congress a draft bill which would impose such a tax is enclosed. It seems desirable at this time, however, to speak further to the importance of adopting this proposal as a major step in dealing with our urgent problem of air pollution.

Probably the single greatest contributor to the pollution of our air is the automobile. It is estimated that automobiles, trucks, and buses are responsible for 50 to 60 percent of air pollution in the United States. Important corrective steps are being taken to deal with the problem. Emission control systems are now being developed which will ultimately reduce the pollutants released by automobile exhausts to an acceptable level.

An essential element in the most effective type of device being developed for reduction of the amount of pollution in automotive exhaust, the catalytic reactor, is the reduction and ultimate elimination of lead additives in automobile fuel. Some of the catalytic devices now being developed could be destroyed by a single tankful of high leaded fuel. The rapid development of these devices, involving large commitments of research and development expenditures by private industry, is obviously seriously hampered by uncertainty as to whether nonleaded or low lead gasoline will be generally available in the future.

Lead additives are used by refiners as the cheapest way to increase the octane rating of their gasoline. If the lead were to be removed from motor fuels, additional octane could be provided only by higher concentration of more expensive blending components. Thus there is at present a clear economic disincentive to removing the lead additives from gasoline. This bill is designed to remove this present competitive price advantage of the less desirable fuel by imposing an additional tax on the leaded gasoline which will eliminate the cost advantage of using lead.

It would not suffice for this Congress to announce, even through legislation with a postponed effective date, that it will require or encourage manufacturers of gasoline to produce an unleaded fuel at that time in the future when advanced emission control devices are expected to be generally available. The automotive and petroleum industries must make final irrevocable decisions by early 1971 at the latest as to fuel and engine requirements for the 1975 model year (the fall of 1974) when proposed national auto exhaust emission standards call for limits on emissions. There must be assurance "now" that unleaded gasoline will be available at that time so that the emission control systems will operate effectively and thus can be incorporated now in the automobile designs.

Thus the conversion to unleaded gasoline must begin at once. Such conversion can be accomplished most effectively by a tax incentive which removes the cost advantage of using lead and thus encourages each gasoline refiner to accomplish the transition as quickly as possible without establishing absolute and inflexible requirements.

It is also important to have unleaded gasoline generally available in advance of the target dates for Federal emission control requirements so that automobile designers have the option of using emission control devices to enable them to meet the developing State emission standards; and, probably more importantly, to enable them to test the performance of new emission control devices manufactured under actual high volume conditions. Simulated laboratory testing does not guarantee equivalent performance in the field.

Requirements which are only to take effect at some future date too often must be extended and reextended as the affected parties find themselves unprepared to meet the requirements when that future date arrives. A tax incentive provision, made operative now, avoids this problem. It adequately reduces the cost advantage of using lead so that each refiner will achieve the conversion on a basis suited to his particular needs. Competitive pressures will insure that a conversion is made at a reasonably early date, and these pressures will be a sufficient constraint to assure developers of the emission control systems that unleaded gasoline will be available in time so that their equipment may be put into operation as soon as development is completed.

The immediate beneficial effect to the environment of removing lead from gasoline is an equally important consideration. Hydrocarbon emission levels from cars presently on the road are directly related to the level of lead additives in the fuel. Estimates of the increment caused by leaded fuels vary from 7 to 20 percent. Further, at least 30 percent of the particulate emissions (sold materials) of engine exhausts consists of lead. We "must" take account of the undeniable—although admittedly unmeasurable—adverse effects of this lead level on the health of our population. There are many recognized health authorities who argue that the possible health hazards of increased lead concentration in the atmosphere due to emissions of lead salts from cars more than justifies solely on the basis of information already available any action which may be taken to encourage a switch to unleaded fuels. Evaluation of these data is continuing, but we cannot continue to tolerate this clear and present danger to our national health level.

For these reasons the tax on lead in gasoline is an extremely important part of the administration's program to improve the quality of our environment.

It is estimated that the proposed tax will result in a first year revenue gain of approximately $1.6 billion. This amount will diminish as the incentive takes effect and lead free or low level leaded gasoline is successfully developed.

The proposed tax would be imposed on the sale by the manufacturer or importer of lead additives which are used in motor fuels. In order to prevent possible circumvention of the tax, importer would be defined to include an importer of gasoline containing lead additives. The tax would apply to lead additives in gasoline used in all gasoline engines although its primary impact would be on automotive fuel. The tax would be imposed on the manufacturer's sale of lead additives after July 31, 1970. To bring the tax fully into play at that date and to discourage possible stockpiling of tax free lead additives, a floor stock tax would be imposed on all inventories of lead additives held by any person other than the manufacturer or importer on August 1, 1970. This floor stock tax would be in the same amount and measured in the same manner as the tax on the sale by the manufacturer of lead additives.

In order to prevent the tax from causing undue hardships on the part of smaller refiners of gasoline, it is proposed that each separate company (but only one for an affiliated group) engaged in the refining business be permitted to use, free of tax, additives containing up to 1 million pounds of lead during the first year the tax is in effect. This amount would be decreased by 200,000 pounds annually until 1976 when all lead contained in such additives would be fully taxable. The figure of 1 million pounds is based upon the average amount of lead in additives that is believed to be used by a typical independent refinery. This level is based on the criteria used by the Small Business Administration for distinguishing small refiners eligible for set-asides for contracts with the Department of Defense. Although each such refiner would be able to use additives containing up to 1 million pounds of lead, the bill limits this allowance to the amount of additives containing no more lead than that contained in the additives actually used during the year preceding August 1, 1970, the effective date of the tax, or if greater, the average of the 3 years preceding that date. In this manner the possibility of small refiners profiting by selling unused tax free additives to other refiners will be avoided.

I urge the Congress to give each of these three important recommendations of the President your immediate attention.

Sincerely yours,

DAVID M. KENNEDY.

Exhibit 26.—Statement by Secretary Kennedy, September 9, 1970, before the House Committee on Ways and Means, on measures relating to a tax on lead additives used in the refining of gasoline, on acceleration in the required time of payment of gift and estate taxes, and a 1-year postponement of scheduled reductions in the automobile and communication services excise taxes

The President has recommended three tax measures which deserve your immediate consideration: A tax on lead additives used in the refining of gasoline; an acceleration in the required time of payment of gift and estate taxes; and a 1-year postponement of scheduled reductions in the automobile and communication services excise taxes.

The tax on lead additives in gasoline is an essential step at this time to deal with our increasing problem of pollution. The other measures are principally short-term revenue raising measures although the acceleration in payment of estate and gift taxes also permanently improves the operation of the estate and gift tax laws by giving the Government, subject to reasonable limitations, more current use of its tax revenues.

I will describe each of these measures separately.

Tax on lead additives

One of our greatest national concerns at the present time is the preservation and improvement of our environment. We must stop further deterioration in environmental conditions, particularly in the most vital element of all—the air we breathe. We must insure that our air remains clean and fit for human use. This is an obligation we have to future generations as well as to ourselves.

One of the largest contributors to air pollution at the present time is the internal combustion engine in our automobiles. The administration has established a priority program to reduce this air pollution. Our recommendation of a tax on lead used in gasoline additives is a vital element of that program.

The need for this tax is immediate. Gasoline refiners use lead additives to obtain higher octane ratings at the lowest cost. Because of these additives lead compounds are discharged into the air in the exhaust fumes. The presence of these compounds in the environment is dangerous both for the present as well as for the future. This tax will impose an economic penalty on the use of such additives which will permit unleaded gasoline to be produced and marketed at a price competitive with leaded gasoline of similar octane rating. This in conjunction with other steps being taken will reduce the use of these additives.

At the present time lead compounds account for a major portion of the solids contained in exhaust fumes. Public health scientists are becoming increasingly concerned that the presence of these compounds in the air we breathe is damaging to human health. Furthermore, research is developing convincing evidence that the small particles serve as nuclei or surface catalysts for the formation of the smog which is choking so many of our major cities and which itself is a major health hazard.

Furthermore, lead is not the only major pollutant in automobile exhaust. Auto exhaust also contains afterproducts of the internal combustion itself—hydrocarbons, carbon monoxide, and oxides of nitrogen. These along with lead are the source of smog.

The Federal Government has been working closely with the automobile industry to develop major solutions to the problem of air pollution. One element of the program is to adopt engine designs in new automobiles which will operate on lower octane gasoline. Since lead is added to increase octane, abatement of the octane race makes it feasible to begin now to reduce and eventually eliminate the lead in gasoline.

An equally important element in the program is a requirement that automobile manufacturers build into their new automobiles, beginning with 1975 models, devices to eliminate the noxious elements in the exhaust—the hydrocarbons, carbon monoxide, and oxides of nitrogen. Thus stringent standards for automotive emissions will go into effect at that time, and these can be satisfied only with emission control devices presently under development.

At the present time there are no production-proven emission control devices that will meet these standards. An important device currently being developed by private industry to meet the standards, the catalytic reactor, could be destroyed by a single tankful of highly leaded fuel.

Accordingly, impending future needs require that at this time we create an effective incentive to industry to convert to the production of gasoline with little lead and in time no lead. Unleaded gasoline must be generally available in large quantity by midsummer of 1974 if the emission control standards program is to succeed.

Imposition of the tax will provide necessary assurance to the automobile industry that the fuels their products will require will be available. Decisions are currently being made concerning the design of the 1975 model year automobiles. Confidence that unleaded fuel will be available will permit firm conclusions to be made as to incorporation of catalytic reactors or other such devices. In addition, during the intervening years, limited user testing of various engine and emission control designs will be a vital element in the eventual development of the best overall system. This entire program of development to reduce air pollution from the internal combustion engine will be greatly facilitated if the auto industry knows with certainty that unleaded fuel will be generally available by the time their 1975 model automobiles are in production.

The gasoline refining industry requires at least 2 years' leadtime before decisions to make significant alterations or expansion of refining facilities can be put into effect. This expansion and alteration will be necessary to insure the availability of sufficient quantities of lead free fuel. We recognize that some companies have recently made such fuels available on a limited basis. However, the quantities available are in fact quite limited in relation to our total gasoline requirements. This tax will provide reasonable economic pressure to assure that a complete conversion takes place on a reasonable basis over a period of time. It is important that this industry recognize the seriousness of this effort and the Government's complete dedication to achieving the goal. Enactment of this tax will adequately signal our intentions in this respect.

Adoption of the tax, coupled with suitable regulatory requirements as to fuel composition as also proposed by the President, is the most appropriate way of achieving the objective of removal of lead from gasoline. Imposition of the tax will complement regulatory requirements as they come into existence by creating an immediate economic incentive to switch to low leaded and unleaded gasoline. The amount of the tax is set so as to minimize any cost advantage as a result of the use of lead. By making it possible for refiners to effectively market unleaded and low lead gasoline the tax will create a competitive situation causing refiners to convert to such output. Competitive pressures in this regard already are in evidence undoubtedly influenced by anticipation of the imposition of the tax.

The proposed tax rate is sufficient to induce refiners to increase their production of 91 octane unleaded fuel and 94 octane low lead fuel within the limits of present octane production capability. This coincides with the automakers' announcement that their 1971 model cars will operate on such a fuel. The result of the tax will be to assure the availability of fuels which minimize lead use as quickly as conditions allow and to assure general availability of lead free gasoline by midsummer of 1974.

In addition to the benefits described above, enactment of the tax may well have a beneficial effect for the average motorist in reducing his maintenance costs. Large amounts of lead compounds can cause rapid deterioration of muffler and exhaust systems. Lead deposits also foul ignition systems and other internal engine parts. Elimination or reduction of lead may therefore lead to operating economies for every motorist. These economies will help overcome any increase in gasoline price resulting from the inability of refiners to use lead to achieve the desired octane levels.

In summary, adoption of the tax at this time is vital to our attempt to reduce some air pollution immediately. Furthermore, it will assure significant future improvement thus reducing a health danger and minimizing smog conditions. It will cause gasoline refiners to begin conversion to low lead and eventually nonleaded fuel so that there will be assurance of incorporation of effective pollution control devices in the 1975 automobile models. Finally, we believe that it will stimulate research and development of even more effective pollution control systems by providing assurance that nonleaded fuel will be generally available in the near future.

We recommend a tax of $4.25 per pound of lead in lead additives used in gasoline. The tax should be imposed on sales of the lead additives by manufacturers and importers. The tax should become effective as of October 1, 1970. A floor stock tax would be imposed on all inventories of lead additives held by persons other than manufacturers or importers on that date.

To prevent undue hardship on smaller refiners we recommend that in the case of any corporate group, additives containing up to 1 million pounds be freed of the tax in its first full year of operation. This amount should be decreased at the rate of 200,000 pounds per year so that the tax will be fully in effect in 1976.

If the tax is made effective on October 1, 1970, as we recommend, it will result in a revenue increase of $1.1 billion in the fiscal year ending June 30, 1971.

Acceleration in gift and estate tax payments

The President has recommended that the collection of estate and gift taxes be accelerated in order to provide approximately $1.5 billion in additional receipts for fiscal year 1971. We have submitted to Congress full details for implementing the President's proposal.

Our proposal would require the filing of the gift tax return and payment of the tax on a quarterly basis on the last day of the month following the end of the calendar quarter in which the gift was made. This will not be a burdensome requirement. Timing of gifts is at the donor's option, and gifts made during any calendar quarter are readily identifiable. At the present time a substantial majority of donors make all their gifts in a single calendar quarter of any year; thus it is expected that few additional gift tax returns will be required under the quarterly system.

Our original proposal would also require the payment of an estimated estate tax 7 months after death. This recommendation has generated considerable interest and controversy. Representatives of the Trust Division of the American Bankers Association and the Tax Section of the American Bar Association have proposed an alternative under which there would be no estimated tax requirement. Instead the time for filing the estate tax return and paying the estate tax would be changed from 15 months to 9 months after death. An accompanying change would shift the alternate valuation date from 1 year to 6 months after death. The alternative proposal also calls for speedup in the auditing of Federal estate tax returns and the release of fiduciaries other than the executor from personal liability for the tax. The alternative proposal would also change the holding period rule so that any property included in the gross estate which is sold within 6 months after death would be given long-term capital gain treatment.

This alternative proposal is designed to reduce the time necessary to complete administration of estates due to tax considerations. By requiring the filing of the estate tax return and payment of the estate tax 6 months earlier than under present law, the alternative proposal should normally shorten the period of estate administration by at least 6 months. This would represent a major improvement in our legal system.

This alternative proposal has received widespread endorsement from various bar associations, professional fiduciaries, and other taxpayers and their representatives. After study we have concluded that this alternative is preferable to our original proposal for an estimated estate tax, and accordingly we now recommend the principal features of the proposal to you for adoption. We have some minor modifications in the specific proposals of these groups, and we are submitting for the record at this time a draft bill incorporating our recommendations for adoption of the alternative proposal.

An important feature of the proposal is a speedup in the time of auditing Federal estate tax returns. While this cannot be reflected in the draft legislation, we are prepared to make changes in the Internal Revenue Service's audit procedure in order to shorten the time now required to complete audits of estates. These steps will reduce further the time necessary for the administration of estates.

A major advantage of the alternative proposal is its simplicity when compared to the proposal for estimated estate tax returns. No additional return would be required; the time for filing the final return would merely be shortened.

In order that this proposal achieve its primary revenue raising purpose, it is absolutely essential that it be made effective so as to require the filing of the estate tax returns of decedents dying prior to September 30, 1970, no later than June 15, 1971, or 9 months after death, if later. Returns of decedents dying after September 30, 1970, will be required to be filed 9 months after death. In the case of persons dying before September 30, 1970, there is no unfairness in shortening the 15 months' period under existing law. None of these estates will be required to file returns less than 9 months after the decedent's death. Notice of our intention to seek this type of legislation was first announced to the public in April 1970.

This recommendation will result in a revenue increase of $1.5 billion in the fiscal year ending June 30, 1971.

Excise tax extension

The existing budget situation and economic outlook require continuation of the present 7 percent excise tax on automobiles and 10 percent excise tax on telephone services through calendar year 1971. These taxes at present levels have played an important part in the anti-inflation program, and the scheduled reductions of these taxes would seriously weaken the program which has proven so successful in recent months. Thus it is proposed that all scheduled reductions of these taxes be deferred for 1 year and that their repeal be deferred until December 31, 1974.

The recommended extensions of present levels of excise taxes will prevent a revenue loss of $650 million in the fiscal year ending June 30, 1971, and $1,250 million in the fiscal year ending June 30, 1972.

Exhibit 27.—Statement by Assistant Secretary Cohen, October 9, 1970, before the Senate Finance Committee on the Department of the Treasury's proposal of a Domestic International Sales Corporation

I appreciate the opportunity to appear before this committee to describe our Domestic International Sales Corporation (DISC) recommendation and to urge its approval by the committee. We make this recommendation because the U.S. tax system presently results in an income tax disadvantage to U.S. export sales as contrasted with foreign production by subsidiaries of U.S. companies or by foreign-owned companies. At a time when the U.S. is making every effort to improve its balance of trade, this disadvantage should be removed.

The DISC proposal provides for deferral of U.S. tax for a domestic corporation engaged in export sales similar to that presently provided for foreign manufacturing subsidiaries of U.S. companies.

The DISC proposal is now before the committee in the form of Title IV of amendments No. 925 and 1009 to H.R. 17550. The House Ways and Means Committee has reviewed this proposal in detail and reported it to the House as Title IV of H.R. 18970. All of these provisions are identical and I will simply refer to them as the DISC bill.

We strongly support the provisions of the DISC bill which recognize the importance of a change in the income tax rules applicable to U.S. exports.

While income tax factors are important, we recognize that economic factors often tend to favor local production in or near the market in which the products are being sold. Over the last 20 years we have witnessed a constantly increasing degree of manufacturing abroad by U.S. companies. In many cases, for a variety of political and economic reasons, such local production may be the only means of competing effectively in certain markets. U.S. tax policy can and should, at best, have only a limited effect on such decisions. On the other hand the U.S. tax laws themselves have treated export sales much less favorably than foreign manufacture and thus have compounded the emphasis on foreign production. This inequity in our tax laws can and should be remedied.

We should compare U.S. tax rules with those of many of the developed countries of the world which defer their tax on export income or exempt such income from tax to a greater or lesser extent. In addition many countries have special tax rules which effectively promote export activity such as extraordinary reserve allowances on export sales and greatly accelerated depreciation of export assets. In contrast the United States taxes currently and, with the exception of the Western Hemisphere Trade Corporation concept, fully the income from any export sale by a domestic corporation because the corporation is incorporated in the United States.

In 1962 legislation was enacted to tax currently U.S. shareholders on certain passive income (such as dividends, interest, and royalties) and on certain sales and services income earned by controlled foreign subsidiaries. Two important exceptions were made. First, the Export Trade Corporation exception in section 970 of the Internal Revenue Code provides specifically for limited deferral of income earned by a foreign corporation selling U.S. export production. In retrospect, we would question whether such deferral should be available only to a foreign corporation and not where export sales are made directly by a U.S. corporation. Second, section 963 allows in effect full U.S. tax deferral of low-taxed income of a foreign sales company where pursuant to a so-called minimum distribution election such income is averaged with higher taxed income from foreign manufacturing activities of the same controlled group if the average effective foreign tax rate reaches 90 percent of the U.S. tax rate. In a real sense the only U.S. exporters who benefit from such deferral are those who also have substantial investments in foreign manufacturing facilities and thus can achieve this complex averaging effect.

In view of these limitations on deferral the only way most U.S. manufacturers are able to obtain the benefits of full deferral of the U.S. tax is to form a foreign corporation to manufacture abroad. The income from the sale of goods manufactured by foreign corporations owned by U.S. shareholders is not taxed by the United States until such income is distributed to the shareholders (or the stock of the subsidiary is sold). Until distribution (or the sale of the stock) the only applicable income taxes are foreign taxes, and these may be imposed at a level below the U.S. level or may be completely waived, especially on exports.

This existing U.S. tax treatment of foreign source income inherently involves a bias in favor of our largest corporations. Through their extensive foreign structures they are also frequently able to use the foreign tax credit, either with or without minimum distribution elections, to reduce even after distribution their U.S. tax liability on export earnings. To the extent that this deferral and reduction are being achieved under present law the tax deferral effect of the DISC proposal would not involve a revenue loss through a postponed receipt. The DISC would work in favor of companies without existing large foreign structures and without extensive foreign tax credits.

Accordingly, the DISC will provide equivalent opportunities for tax deferral for foreign source income arising from export sales, for smaller corporations and for corporations newly entering the export market or expanding their export sales. This additional equity of tax treatment as between our largest corporations and U.S. business in general is an important feature of the administration's proposal.

Some would say that the remedy to the inequities we describe is simply to remove the deferral on all foreign earnings of U.S.-controlled businesses and tax it currently. Such a response clearly acknowledges the inequities we describe. It also overlooks some critical facts. The foreign-owned competitors of U.S. businesses in the world markets are generally not subject to such an all-embracing concept of taxation by their home countries. To the contrary, the territoriality principle of the tax systems of other industrialized countries exempts foreign source earnings, so that their companies operating abroad are able to enjoy the full advantage of tax holidays and reduced corporate rates whether directly or through greatly accelerated depreciation allowances or other special tax allowances or inducements.

Our studies show that the average effective foreign tax rates are generally below our U.S. effective corporate rate. For 1964, the effective foreign tax rate on all foreign subsidiary operations of U.S. businesses was approximately 38.6 percent. Our U.S. companies presently achieve deferral on the difference between the foreign tax level and the U.S. tax level with respect to the earnings of their foreign subsidiaries, and thus pay no more tax on a current basis than their competitors. However, virtually every foreign country imposes a withholding tax on dividends. If the U.S. were to impose its taxes on the earnings of U.S.-controlled foreign subsidiaries on a current basis, these subsidiaries would surely remit their earnings in dividends to be certain of obtaining the foreign tax credit for the withholding taxes on dividends. Earnings needed in the businesses of the foreign subsidiaries would then be returned as capital contributions or loans.

These withholding taxes would largely offset the residual U.S. tax through the foreign tax credit. The net effect would be an increase in the current foreign taxes collected from U.S. businesses with little, if any, additional U.S. tax. Thus the position of the U.S. businesses in the world market would be prejudiced.

We think it is not wise as a matter of sound national tax policy to affect adversely the competitive position of our companies by neutralizing their opportunities to benefit from lower levels of foreign tax in countries in which they have substantial operations and which are enjoyed by their competitors. This, of course, would be precisely the effect of extending our own corporate tax to all foreign source income of U.S. businesses. The existing structure provides for deferral of the U.S. tax until dividends are paid. The payment of such dividends reflects the fact that the foreign earnings are no longer needed in the foreign operations. This is a sound system and is equally sound for export earnings.

Thus the basic purpose of the DISC proposal is to remove inequities in our present system in the tax treatment of export earnings. I will now outline the main features of the proposal as they have been incorporated in the DISC bill.

1. Basic provisions

The Internal Revenue Code would be amended to provide for a new category of domestic corporation to be known as a Domestic International Sales Corporation (a DISC). The U.S. tax on the export income derived through such a corporation would be deferred as long as it is either used in the corporation's export business or is invested in qualified assets of the DISC, and thus is not distributed to the DISC's shareholders. Qualified assets would include loans to U.S. producers, including the DISC's parent company where the DISC is a subsidiary, to finance investments in U.S. plant, equipment and machinery, inventory, and research and development to the extent these investments are deemed export related. The manufacturer's total investments for any of these purposes would be treated as export related in the same ratio as the manufacturer's sales destined for export bear to total sales.

In order to qualify as a DISC, a corporation would be required to confine its activities almost entirely to export selling and certain related activities. A DISC could have foreign sales branches and its own foreign sales subsidiaries where such branches and subsidiaries are engaged in the sale of U.S. exports. The DISC could not engage in manufacturing or invest in or finance foreign manufacturing activities.

A DISC could sell the products of any domestic producer (purchased from, or sold on behalf of, the producer or an unrelated DISC) and could sell them to any foreign purchaser for a foreign destination, whether or not related.

Although some complexity is inherent in integrating the DISC proposal with the existing provisions of the Internal Revenue Code, the DISC bill is intended to simplify tax concepts applicable to export activity to the maximum degree possible. For example, a destination test for export sales is substituted to reduce the complexities of the present passage of title test.

2. Qualification as a DISC

The qualification requirements are that a DISC must be a domestic corporation, must have 95 percent of its receipts in the form of qualified export receipts, must have 95 percent of its assets in the form of qualified assets, must have only one class of stock and a minimum capitalization of $2,500, and must have made an election to be treated as a DISC.

To meet the gross receipts test, at least 95 percent of the DISC's receipts would be required to be received from export sales activities and from qualified export assets. In order to meet the assets test, 95 percent of the DISC's assets would be required to be used in its export business or be in the form of Eximbank obligations or producer's loans (as hereinafter described). To prevent inadvertent disqualifications under either of these tests, the DISC bill provides that if any income derived from nonqualified receipts or any nonqualified assets are timely distributed by a DISC, such receipts or assets will not be taken into account for purposes of the 95 percent gross receipts and the 95 percent assets tests.

The following would be treated as giving rise to qualified receipts: Export sales of goods manufactured, produced, grown or extracted in the United States by persons other than the DISC and sold by the DISC either on a purchase and resale basis or as a commission agent; the leasing or rental of U.S. export property; the performance of services by the DISC related and subsidiary to its sales or leases; interest on obligations which are qualified export assets; dividends from foreign sales subsidiaries engaged in marketing U.S. exports; dividends from less than 10 percent equity investments in unrelated foreign corporations made in furtherance of export sales; gains on the sale of qualified export assets; receipts derived in connection with the performance of managerial services in furtherance of the production of qualified export receipts; and receipts with respect to engineering or architectural services for construction projects located (or proposed for location) abroad.

Qualified export assets include: Obligations of export customers; export property held for sale or lease; other working capital used in the DISC's sales or commission business; facilities primarily for the sale, lease, rental, storage, handling, transportation, packaging, assembly, or servicing of export property; assets of foreign sales branches handling U.S. exports; obligations issued, guaranteed, or insured by the Export-Import Bank and certain similar paper; stock or securities in foreign sales subsidiaries engaged in marketing U.S. exports, including foreign packaging and limited assembly operations; stock or securities in unrelated foreign corporations made in furtherance of an export sale or sales; obligations representing loans to domestic producers; and temporary deposits in the United States with persons carrying on the banking business.

3. Tax treatment of DISC income

So long as the domestic corporation continues to qualify as a DISC, U.S. tax would not be imposed on its current or retained export earnings, which would include dividends and interest from any qualified foreign export sales subsidiaries. Upon a dividend distribution or the liquidation or sale of the shares of the DISC, its retained export earnings would be taxed to its shareholders as ordinary income. Thus, the net effect would be a deferral of the U.S. tax. The intercorporate dividends-received deduction would not be available since the DISC would not have been subject to tax and the tax is only to be deferred until distribution by the DISC.

Dividends of a DISC paid out of accumulated export income would be treated as foreign source income. With respect to any foreign income taxes paid by the DISC, a foreign tax credit would be available to the corporate shareholders to offset U.S. tax on foreign source dividends received from the DISC. This would approximate the tax treatment of accumulated earnings and profits of foreign subsidiaries under present law and the present treatment for exports where passage of title is arranged to occur outside of the United States.

4. Allocable DISC profits

Where a DISC sells on behalf of a related person, the deferral of income tax on exports extends only to that portion of profits considered to be export sales (or rental) income. The portion of profit considered as manufacturing or domestic profit will continue to be taxed currently as under present law. Thus the allocable intercompany pricing rules applicable under present law to transactions between related persons may be used to determine the export profit and the manufacturing profit. This can be a complicated and uncertain process in some cases and actual or potential disputes can be a deterrent to export activity. Therefore, the DISC rules also employ safe haven guidelines that may be elected where a DISC exports on behalf of a related company, permitting the DISC to retain as tax deferred export income the higher of either: (A) Up to 4 percent of its sales plus 10 percent of the export promotion expenses incurred by it; or (B) 50 percent of the combined taxable income from the manufacture in the United States and the export sale by the DISC plus 10 percent of the export promotion expenses incurred by the DISC.

Allocation rules along the foregoing lines would be analogous to those applied by a number of countries, generally on an informal basis, in the determination of their tax liability on exports. Their primary advantage would be in providing a greater degree of specificity and definitiveness in limiting the profit which may be realized by the DISC vis-a-vis its related U.S. supplier and in having U.S. exporters subject to the same types of rules as their foreign competitors.

5. Producer's loans

As stated previously, a DISC is to be permitted to loan its tax deferred profits to its parent manufacturing company (or any other U.S. export producer), as long as the cumulative amount loaned to any one borrower does not exceed the amount of the borrower's assets considered as being related to its export sales. This in essence is the same proportion of the borrower's assets that its export sales are of its total sales. These loans—termed "producer's loans"—are to constitute qualified export assets of a DISC and the interest arising on the loans is to represent a qualified export receipt of a DISC. However, the interest on such loans will not be tax deferred income of the DISC. Where such interest is not distributed annually, it will be deemed to have been received by the shareholders annually.

For a loan of a DISC's tax deferred profits to constitute a producer's loan, the loan must be made to a borrower who is engaged in the manufacturing, production, growing, or extraction of export property in the United States and at the time the loan is made it must be designated as a producer's loan. The loan must be evidenced by a note (or some other evidence of indebtednss) and have a stated maturity of not more than 15 years. To qualify as a producer's loan, a loan must be made out of the tax deferred profits—the accumulated DISC income. A loan is to be considered as made out of accumulated DISC income if at the beginning of the month in which the loan is made, the amount of the loan, when added to the unpaid balance of all other producer's loans previously made by the DISC, does not exceed the DISC's accumulated DISC income.

The limitation imposed on the amount of loans which a borrower may receive during a taxable year of the borrower is to be determined by applying the percentage which the borrower's qualified export receipts arising from its sale of export property during the 3 prior taxable years is of its aggregated gross receipts from the sale of inventory property during that period, to the total of the borrower's assets taken into account for this purpose. There are three categories of a borrower's assets which are taken into account in determining this limitation for a year: (1) The amount of the borrower's investment in plant, machinery, equipment, and supporting production facilities in the United States as of the beginning of its taxable year; (2) the amount of the borrower's inventory at the beginning of the taxable year; and (3) the aggregate of the borrower's research and experimental expenditures in the United States during all preceding years of the borrower which began after 1970.

It is not contemplated that there will be any tracing of loans to specific manufacturing facilities or equipment actually used in production for export.

All loans would be interest bearing, resulting in an interest deduction to the borrower. The section 482 safe haven rules will be applicable—presently the interest charged must be a minimum of 4 percent and maximum of 6 percent, although the rate may be higher if an arm's-length rate would be higher.

At maturity any loan can be renewed, or the principal loaned to another borrower, provided always that there is compliance with the rules previously described. Qualified loans would remain qualified throughout their term regardless of any decreases in export sales. They would not be treated as constructive dividends.

6. Acquisition of Export-Import Bank paper by DISC's

As stated above, qualified export income would include interest on credit extended to export customers and interest on obligations issued, guaranteed, or insured by the Export-Import Bank and certain similar paper. Such debt obligations would also constitute qualified export assets. In cases where the DISC acts as a commission agent for an export manufacturer, the obligations acquired by the manufacturer in connection with the extension of credit to export customers in accordance with normal commercial practice could be acquired by the DISC.

It would be provided that the following types of Export-Import Bank obligations and similar paper would give rise to qualified export income and constitute qualified export assets: Obligations issued by the Export-Import Bank; obligations guaranteed or insured by the Export-Import Bank in cases where the DISC purchases the obligations from the Export-Import Bank or from the exporter; obligations insured by the Foreign Credit Insurance Association in cases where the DISC purchases the obligations from the exporter; obligations issued by certain domestic corporations organized solely for the purpose of financing U.S. exports pursuant to an agreement with the Export-Import Bank whereby such corporation makes export loans guaranteed by the Export-Import Bank.

7. Deficiency distributions

In order to prevent inadvertent disqualification of a DISC, a deficiency dividend procedure would permit continued qualification of the DISC. Deficiency distributions could be made at two stages where either the income or asset test had not been met:

Current deficiency distributions.—Where the DISC during the taxable year had at least 70 percent of its gross receipts in the form of qualified receipts, and at least 70 percent of its assets in the form of qualified assets, a distribution of the income derived from nonqualified gross receipts could be made at any time after the close of the DISC's taxable year and prior to the time for filing the DISC's annual return. Similarly, any nonqualified asset could be distributed, or such asset could be liquidated with the proceeds being distributed within such period.

Delayed deficiency distributions.—A distribution of nonqualified income or a nonqualified asset (or a distribution from the proceeds of such an asset) could be made at any time with respect to any year as to which the period for assessment of additional taxes had not expired provided that the existence of such income or asset and the failure to distribute it within the return filing period were due to reasonable cause.

8. Disqualification of DISC, liquidation, or sale of stock

Upon liquidation of a DISC or upon its disqualification (where the deficiency dividend procedures are not used), DISC status would terminate and the earnings and profits of the DISC on which U.S. taxes had been deferred would be deemed to be distributed to the shareholders. Each shareholder would be taxed as if he had received his pro rata portion of such income in equal installments in the year in which such liquidation or disqualification occurs and in each of the succeeding 9 years; except that if the DISC has not been qualified as such for at least 10 years, the period of distribution will be deemed to be the number of consecutive years the DISC was qualified immediately prior to the liquidation or the disqualification.

Upon the sale of stock in a DISC, the gain realized will be taxed at ordinary income rates to the extent of the accumulated earnings and profits after the date of the DISC election.

9. Export property

The type of property which is considered export property for a DISC is property which: (A) Has been manufactured, produced, grown or extracted in the United States by someone other than a DISC; (B) is held by the DISC primarily for sale, lease, or rental in the ordinary course of business for use, consumption or disposition outside the United States, or which is held by the DISC for sale, lease or rental to another DISC for such a purpose; and (C) not more than 50 percent of the fair market value of which is attributable to imported articles.

10. Reorganization of existing export operations

It is contemplated that in general tax-free reorganizations would be permitted to place existing foreign operations in a DISC or to put existing foreign sales subsidiaries under its ownership. The DISC bill presently provides that the little-used foreign Export Trade Corporation provisions of section 970 of the Internal Revenue Code will be phased out as the DISC provisions become fully effective.

11. Phase-in

Under the DISC bill, the deferral of DISC income will be phased in over 3 years, beginning in 1971. Fifty percent of the allocable DISC income will be deferred from current taxation in 1971; 75 percent in 1972 and 1973; and 100 percent beginning on January 1, 1974.

Exhibit 28.—Statements by President Nixon and Secretary Kennedy, January 11, 1971, on the asset depreciation range system

Statement by the President

Today I have approved three important changes in the administration of the depreciation provisions of the tax laws which will: Help create jobs for the unemployed as well as young people joining the labor force; promote the economic growth which is essential if this Nation is to meet its domestic and international responsibilities; increase the competitiveness of U.S. goods abroad, thus strengthening our balance of payments; and reduce significantly the complexity and uncertainty of the application of an important section of the Internal Revenue Code.

Briefly summarized, these highly technical changes will (1) Authorize the Internal Revenue Service to accept depreciation based on lives for business equipment acquired after 1970 that are not more than 20 percent shorter nor 20 percent longer than the present guideline lives fixed by Treasury in July 1962; (2) terminate the complex reserve ratio test for determining limits on depreciation allowances; (3) provide an alternative to the present convention which permits deduction of half the annual depreciation in the year in which equipment is placed in service. Under the modified convention, a full year's depreciation for assets acquired after 1970 will be accepted for assets placed in service in the first half of a year; one-half year's for those in the second half of a year.

These actions will reduce business tax payments by $2.6 billion in this calendar year, rising to a peak of about $4 billion in 1976, and thereafter gradually declining. In evaluating the impact of these tax actions on economic activity, it should be remembered that as of January 1, 1971, almost $7 billion in individual income tax cuts had already occurred as a result of the Tax Reform Act of 1969.

I want to emphasize that these short-run revenue reductions announced today are not so large as to prevent us from maintaining balance, now and in fiscal year 1972, between budget spending and the revenues that would be generated in a full employment economy. Most importantly, they can be expected to have a substantial "feedback" effect. Past experience demonstrates that depreciation liberalization will stimulate the pace of spending on new plant and equipment, which has been leveling off, and thus create jobs. As a result, Federal tax collections in the long run will increase. The estimates of revenue loss may, therefore, be regarded as maximum estimates.

Sound depreciation reform to create jobs and growth has a long history of bipartisan support. In 1961, the first year of the Kennedy administration, Under Secretary of the Treasury Henry H. Fowler supported the impending program for major depreciation reform as a stimulant to economic recovery (unemployment was then about 6½ percent of the labor force); as a means of increasing competitiveness of U.S. goods in world markets; and as a major force for long-run economic growth.

Several months later, in announcing broad revisions in depreciation guidelines, Secretary of the Treasury Douglas Dillon pointed to the job-creating impact of rising investment. In this respect, economists have long recognized that, in a highly industrialized society such as ours, each productive worker has to be equipped, in effect, with tools and machinery costing many thousands of dollars.

Depreciation reform is especially desirable today when we are requiring the diversion of significant amounts of business capital into the financing of pollution control facilities and away from those investments which would ordinarily go to increasing material productivity.

The specific administrative changes which I have approved are consistent with the recommendations of the President's Task Force on Business Taxation. I appointed this task force in September 1969 and asked the members to "concentrate on the role of business taxes in promoting growth, full employment, and a strong progressive economy." The task force included leading businessmen, lawyers and accountants, economists, a former U.S. Senator, and two former Secretaries of the Treasury.

A liberalization of depreciation allowances is essentially a change in the timing of a tax liability. The policy permits business firms to reduce tax payments now, when additional purchasing power is needed, and to make up these payments in later years.

Clearly, therefore, these steps toward meaningful depreciation reform are important for the present—in light of current economic conditions—and for the future—to maintain the growth which has made this Nation the strongest and most productive the world has ever known.

Statement by Secretary Kennedy

The changes in tax administration announced today by the President are a major and timely reform of depreciation policy, and will be good for our national economy, all of our citizens, and every American business.

It strengthens every segment of our production team—workers, managers and investors.

The reform of depreciation policy will encourage business to increase its investment in new machinery and equipment and, by providing significant tax reductions in 1971 and subsequent years, will help business accumulate the capital required for investment. As a result, our economic growth will be stimulated strongly and many new jobs created for those who are now unemployed or who will enter the work force in the future. Every American—manufacturers, farmers, miners, storeowners, professional and service companies, all others and those who work therein—will benefit.

By liberalizing and simplifying the depreciation provisions of the tax law we also have taken a needed step to help U.S. businesses to modernize their

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productive facilities and keep abreast of rapidly changing technology. New and better equipment in American industry will bring increased productivity and a strengthening of the competitive position of our country's goods in world markets.

It should be kept in mind that a liberalization of depreciation allowances primarily involves a postponement of the tax payment and that this payment will eventually be added to Government revenues. Furthermore, new business investments and job creation will serve in time to increase the taxable income of business and individuals, thus providing a larger tax return.

Aside from the tax effect, the changes in the depreciation provisions will also simplify and improve the administration of the tax laws. Elimination of the complex reserve ratio test for determining limits on depreciation allowance will ease the burden of compliance for business and help with interpretation and administration of the law by the Internal Revenue Service. Repeal of this test also ends a disadvantage which our businesses have suffered in competing with foreign companies whose tax systems do not include such a test.

The depreciation policy changes announced by the President were based on an intensive study by the Treasury Department and its Internal Revenue Service of steps needed to provide greater investment incentives and for job creation. Treasury was assisted in this study by the views of other government agencies, of business representatives, and of the President's Task Force on Business Taxation.

Exhibit 29.—Letter from Secretary Kennedy to the Speaker of the House, February 1, 1971, submitting a draft bill to ease the tax burden of small business. (A similar letter was addressed to the President of the Senate.)

DEAR MR. SPEAKER: In accordance with the President's Message of January 26, 1971, transmitting legislative proposals not acted upon by the 91st Congress, I am enclosing a draft bill entitled the "Small Business Taxation Act of 1971," for consideration by the Congress. This legislation, intended to alleviate the tax burdens borne by small businesses, is substantially identical to proposed legislation which was previously transmitted to the Congress on April 17, 1970.

In order to increase the funds available to high-risk small businesses, section 2 of the proposed legislation provides a deduction equal to 20 percent of the gross income derived by corporations from obligations guaranteed by the Small Business Administration. The deduction would not, however, be available to so-called subchapter S corporations and personal holding companies. To insure that no taxpayer is able to take undue advantage of the provision, the deduction could not reduce taxable income to less than 60 percent of the lender's economic income. For this purpose, "economic income" includes tax exempt interest and all dividends received by the taxpayer.

Section 3 would permit business losses incurred by individuals or qualified small business corporations to be carried forward for 10 years as a deduction against income in subsequent years. A corporation will be considered "small" if, together with its affiliates, its has no more than 250 employees, 250 shareholders and $1 million in net assets. The extended net operating loss carryover period will be particularly helpful to new businesses which spend large amounts on research and development during their early years but may not begin to show a profit until 6 or 7 years later.

In the case of small business corporations described in the preceding paragraph, section 5 of the proposed bill would liberalize the requirements for capital gain treatment of qualified stock options under section 422 of the Internal Revenue Code. The period during which such an option could be exercised would be extended from 5 to 8 years and the period during which the stock must be held after exercise would be reduced from 3 to 1 year. This provision is intended to aid small growth companies in attracting managerial talent.

Section 6 of the proposed bill modifies the definition of an electing small business corporation (the so-called Subchapter S corporation). The number of shareholders of such a corporation would be increased from 10 to 30, and Minority Enterprise Small Business Investment Companies (MESBIC) could be shareholders. The legislation also specifies that a MESBIC which is not organized for profit and the net earnings of which do not inure to the benefit of any private shareholder, may be treated as a tax exempt organization. Contributions to such a group would be treated as charitable contributions.

It would be appreciated if you would lay the proposed legislation before the House of Representatives. A similar communication has been addressed to the President of the Senate.

We have been advised by the Office of Management and Budget that there is no objection to the presentation of this draft bill to the Congress, and that its enactment would be in accord with the program of the President.

Sincerely yours,

DAVID M. KENNEDY.

Exhibit 30.—Treasury news release, June 22, 1971, announcing the adoption of the asset depreciation range (ADR) system

The Treasury Department announced today the adoption of final regulations placing in effect the liberalized system of depreciation for machinery, equipment and certain other property. These proposals were originally described by President Nixon on January 11, 1971.

The rules for the new system—called the asset depreciation range or ADR system—are basically similar to those which Treasury proposed on March 12. However, a number of important changes have been made, including the creation of the Office of Industrial Economics in the Internal Revenue Service to collect data from tax returns and other sources to update guideline classes, guideline class lives, repair allowances, and other elements of the ADR system from time to time; the establishment of new recordkeeping and reporting requirements for taxpayers using the system for use by the Office of Industrial Economics; and an entirely new provision permitting deductions for repair and maintenance expenditures based on guideline class "repair allowances."

The Office of Industrial Economics will analyze schedules from taxpayers' annual returns providing information as to equipment acquisitions and retirements; the Office will also assemble data on asset lives, repairs, replacement practices, and technological changes to be obtained regularly from industry and government sources. These studies—providing for the first time comprehensive and systematic data on the useful lives of assets and the rate of obsolescence resulting from technological advances—will provide a basis for future modifications of asset classes, the periods over which assets may be depreciated, and other aspects of ADR.

The changes in Treasury's original proposals reflect written comments received following publication of the proposed regulations and testimony at public hearings held on May 3–5. Fifty witnesses testified during the 3 days of hearings. Their testimony, covering more than 800 pages, and the submissions of numerous written comments were studied intensively by Treasury and the IRS before adoption of the new rules.

Asset depreciation ranges

As in Treasury's original proposals, the final regulations establish asset depreciation ranges for various classes of assets placed in service after December 31, 1970. A taxpayer may elect to base depreciation of an asset on any number of years within the designated range of years for that particular guideline class. The election may be made annually and will apply to all eligible assets placed in service by the taxpayer in that taxable year.

The minimum and maximum of each asset depreciation range under the ADR system is 20 percent below to 20 percent above the guideline lives presently in effect and as amended from time to time. The useful life is selected from this range for assets in the year they are acquired, and the life does not subsequently change for those assets even though the guideline life for that asset class may be changed in the future for later acquisitions. A change from the original proposal provides that if Treasury lengthens an asset depreciation range during a year, a taxpayer may choose a depreciation period from the old range for asset acquisitions in that year.

After selecting the period of years for depreciating an asset, the taxpayer will determine his depreciation allowance under any of the allowable methods such as the straight line method, the declining balance method, or the sum of the years-digits method of depreciation.

Taxpayers using the ADR system will be required to account for assets in item accounts or in group accounts by the year placed in service—so-called closed-end vintage accounts. The final regulations require the taxpayer to attach to his income tax return each year a schedule showing asset acquisitions and retirements for the year, including the type and age of equipment retired.

As under the regulations proposed on March 12, the taxpayer may elect on an annual basis a new first-year convention under which assets placed in service in the first half of the year are treated as placed in service at the beginning of the year, and assets placed in service in the second half of the year are treated as placed in service at the mid-point in the year.

The "reserve ratio test" contained in Revenue Procedure 62–21 will not apply to assets depreciated under ADR.

Salvage value

Traditionally, salvage value—the amount the taxpayer estimates he will receive when he retires depreciable property from active service—has been treated in a variety of ways for tax purposes. Under ADR, the annual depreciation deduction is determined without taking estimated salvage value into account, but an asset may never be depreciated below its estimated salvage value. The ADR system continues this rule, but simplifies and makes uniform the treatment of estimated salvage value for depreciation purposes.

Under ADR, the taxpayer must establish the estimated salvage value of assets when he places them in service. The taxpayer is permitted by section 167(f) of the Internal Revenue Code to ignore salvage up to 10 percent of the cost of certain assets, and he estimates salvage value, if any, in excess of this amount. To eliminate controversies over minor differences in estimated salvage value, ADR provides that the taxpayer's estimate will not be adjusted by the Internal Revenue Service unless it is determined that the proper estimate of salvage value (after the application of section 167(f)) exceeds the taxpayer's estimate by more than 10 percent of the cost of the property.

Repair and maintenance expenditures

The ADR system also contains an important new mechanism designed to end controversies over whether expenditures for the repair, maintenance, rehabilitation or improvement of depreciable property may be deducted in the year paid or incurred, or must instead be "capitalized"—that is, be treated as capital improvements and be depreciated over the useful life of the property.

Both the regulations as proposed on March 12, 1971, and the final regulations provide that a taxpayer is first required to capitalize certain expenditures which are clearly capital in nature—which increase the productivity or capacity of an asset, adopt it to a substantially different use, or increase the productivity of the property. The balance of expenditures for repair, maintenance, and rehabilitation—the status of which as deductible items or capital expenditures is ambiguous—may be treated on an elective basis under the "repair allowance" provisions. Under the proposed regulations, the repair allowance was equal to 1-year's depreciation on a straight line basis for the account in which the assets were included. Taxpayers electing to use the repair allowance could deduct amounts up to this level without question on condition that they capitalize the total of such expenditures over that level. The treatment was limited to repair and maintenance expenditures with respect to assets placed in service after December 31, 1970, and would have required the taxpayer to keep extensive and burdensome records.

The final rules announced today greatly improve this system by establishing a specific percentage repair allowance for each guideline class based on a Treasury Department evaluation of statistical and other data by industry classes reflecting industry experience with respect to such expenditures. The allowance is extended to include repairs and maintenance expenditures with respect to assets placed in service before 1971. In general, the specific repair allowance amounts are substantially less than 1-year's straight line depreciation on the assets in the guideline class. Determining the repair allowance with respect to all assets falling in any guideline class made it possible to greatly simplify the ADR record keeping requirements.

Other changes

Other significant changes which Treasury made in the adopted rules include:

(1) Capitalization and depreciation of "property improvements" (the amount of repair and maintenance expenditures required to be capitalized where the repair allowance is elected) in vintage accounts rather than by charging such amounts to the depreciation reserve as under the proposed regulations.

(2) Automatic approval of changes in depreciation method from the double declining balance method, where allowable, to the sum of the years-digits method.

(3) Extension of the requirement that public utilities normalize the tax savings for ratemaking purposes to the savings resulting from the new first-year convention.

(4) Provision that public utilities previously entitled to use certain composite accounts and composite lives under the guidelines may also do so under ADR.

(5) Extension of an option to taxpayers to exclude from the ADR system property which is eligible for the investment credit.

(6) Special provisions for electing the ADR system within 90 days of publication of the final ADR regulations by taxpayers whose taxable years ended in 1971.

(7) Classification of property which has attributes placing it in more than one guideline class in the class for the activity in which the property is primarily used.

(8) Provisions for correction and adjustment of depreciation accounts and depreciation taken where property has been mistakenly assigned to an incorrect guideline class.

Revenue consequences

The Treasury Department estimates that adoption of the ADR system will result in a revenue loss of $2.8 billion in the calendar year 1971; the average revenue loss over the 10-year period ending December 31, 1980, will be $3.9 billion per year. These estimates are the amounts which would result if the basic levels of investment and income in the United States remain unchanged despite the adoption of the ADR system; that is, they do not take into account substantial anticipated indirect or "feedback" benefits to the economy which would result in a higher level of GNP and hence higher tax revenues.

In announcing adoption of the ADR system, Treasury also issued a statement describing the nature of depreciation, the history of the depreciation provisions of the tax laws, the need for abolishing the complex reserve ratio test, the reasons for adoption of the ADR system, the legal authority of the Treasury Department in adopting these changes by administrative action, and the anticipated economic effects of the changes. The report was prepared at the request of Senator Sam J. Ervin, Jr., Chairman of the Subcommittee on Separation of Powers, Senate Judiciary Committee.

In addition to the final ADR system regulations and the statement previously described, other documents made available today include: An order establishing the new Office of Industrial Economics in the Internal Revenue Service; a Technical Information Release establishing the new repair allowances for each guideline class; and a survey of experienced revenue agents as to their experience with depreciation practices, including the application of the reserve ratio test. The Treasury Decision promulgating the ADR system regulations and the Order establishing the Office of Industrial Economics will be published in the Federal Register for Wednesday, June 23, 1971.

The Adoption of the Asset Depreciation Range (ADR) System

The asset depreciation range (ADR) system was adopted and filed with the Federal Register on June 22, 1971, as section 1.167(a)-(11) of the Treasury regulations under the Internal Revenue Code of 1954. Proposed regulations with respect to the ADR system were published in the Federal Register for March 13, 1971.[1] Written comments on the proposed regulations were submitted by interested persons, and public hearings were held on May 3–5, 1971.[2] All oral and written comments were carefully considered by the Treasury Department before promulgation of the final regulations.

The Treasury Department has concluded that the ADR system is an essential improvement in tax depreciation policy—both as a necessary improvement in the administration of the income tax laws and as an updating of depreciation allowances in light of current and anticipated conditions. Because of the wide-

[1] 36 F.R. 4885 (Mar. 13, 1971). Notice of a public hearing on the proposed regulations was also published at 36 F.R. 4885, amended by 36 F.R. 7012 (Apr. 13, 1971) and 36 F.R. 7240 (Apr. 16, 1971).

[2] The proposed regulations for the ADR system produced much comment and considerable controversy. Written comments were received from more than 150 individuals, corporations and associations; and 50 witnesses testified at the public hearings on the proposed regulations.

spread public interest in the ADR regulations, the Treasury Department is issuing this statement discussing the regulations, the major reasons for their adoption, and their anticipated economic effects.

Following a brief explanation of the nature of depreciation, the main features of the ADR system are summarized. The reasons for adoption of the ADR system are explained following a review of the history of depreciation and an explanation of the reserve ratio test. The statement then sets forth the legal authority of the Treasury Department to issue the ADR regulations and concludes with a statement of the anticipated economic effects of these changes.

I. What depreciation is

Section 167 of the Internal Revenue Code permits as a depreciation deduction a "reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)" of assets used in a trade or business or held for the production of income. The depreciation deduction is allowed in order that taxpayers may treat as an expense in determining taxable income an allocable part of the cost of business assets which have a limited life. A taxpayer is allowed to deduct from income each year regularly recurring expenditures such as repairs, consumable supplies, heat, light, and power, and salaries and wages. Similarly, if he buys a machine, the cost of the machine is also an expense of doing business and must in the same way be recovered out of income if the taxpayer is to continue in business. However, since the machine has a life which extends over a period of years, its cost must be allocated and recovered over a number of years.

This allocation is essential if income is to be clearly reflected. The cost of the machine may not be treated as an expense in the year the machine is acquired because that would result in understating income for that year. Neither may the allocation of the cost be spread over too long a period; income would then be overstated during the years of actual productivity of the machine. The depreciation deduction is designed to allocate the cost of the machine over the proper period of time, a period which is generally referred to as the "useful life" of the asset.

This useful life of assets is necessarily an estimate—a prognostication—of the period of time in the future during which the assets will be economically productive. The estimate of the period of time assets will be productively used—useful life—must be made when the assets are first placed in service and must take into account future events that are often unforeseeable and unpredictable. These include projected engineering and economic factors, technological developments in the industry, future market conditions, and other variables. Ordinarily, it may be expected that the period of substantial economic productivity for similar assets used by competitive taxpayers within the same industry will tend to follow the same pattern.

Various methods are used for establishing estimated useful lives; the guideline class lives and the ADR system are based on general industry experience. ADR allows an additional range of tolerance for changing conditions such as technological improvements, automation, increased foreign competition, and other factors. Section 167 requires that the useful life estimate take into account projected economic obsolescence.

In addition to establishing an estimated useful life, the depreciation deduction depends upon the method of allocating the cost over the useful life. The straight line method is the simplest: the cost of the asset is allocated ratably, in equal amounts, over the useful life. The declining balance method allocates a larger portion of the cost to the earlier years and a lesser portion to the later years. Thus, an asset costing $100 with an estimated 5-year life would be charged at the rate of 20 percent, or $20 per year, to each of the 5 years under the straight line method. The double declining balance method would charge $40 to the first year (twice 20 percent, or 40 percent, times $100), $24 to the second year (40 percent times [$100 minus $40] the declining balance), $14.40 to the third year, and so on. The sum of the years-digits method produces deductions similar to those under the declining balance method.

Both the estimation of useful life and the application of the method of depreciation determine only the allocation of the total cost of business assets over a period of years. Estimating a shorter useful life does not increase the total amount of the deduction; it merely allows the same total deduction over a shorter period of time. The accelerated methods of depreciation, such as declining balance and sum of the years-digits, permit a greater portion of the same total deduction in the earlier years.

II. Summary of ADR provisions

ADR makes five principal additions to existing depreciation regulations:

(1) Machinery and equipment placed in service after December 31, 1970, may be depreciated over useful lives selected from a range of years 20 percent below to 20 percent above the guideline lives established by the Treasury in 1962. The guideline lives will be amended from time to time in the future.[3]

(2) Taxpayers may adopt a new first-year convention under which property placed in service in the first half of the taxable year is treated as placed in service at the beginning of the year and property placed in service in the second half of the year is treated as placed in service at the midpoint of the year.[4]

(3) The salvage value estimated by the taxpayer at the time the account is established ordinarily will not be changed by the Internal Revenue Service if the facts and circumstances known at that time do not warrant an adjustment of more than 10 percent of the cost of the assets in the account.[5]

(4) The taxpayer may elect a system of treating repair, rehabilitation, and maintenance expenditures under which a certain percentage of total expenditures for each guideline class may be deducted currently and any expenditures over that amount are capitalized and recovered through depreciation. Expenditures which are clearly capital in nature must be capitalized and recovered through depreciation in all events; the optional treatment extends only to expenditures whose status are deductible repair expenses or capital expenditures is ambiguous under present regulations. The percentage repair allowances were determined on the basis of Treasury's evaluation of statistical and other data reflecting industry experience with respect to such expenditures for asset guideline classes.[6]

(5) A comprehensive system of depreciation accounting is prescribed, requiring in particular the use of closed-end vintage accounts under which assets are accounted for by year of acquisition. Taxpayers are required to file annual schedules with their tax returns providing information on asset acquisitions and asset retirements by vintage accounts, showing the amount, type, and age of assets retired. The required information also includes experience with respect to the repair, maintenance, rehabilitation, or improvement of assets in each guideline class.[7]

This system of depreciation accounting and information reporting will enable the Treasury Department for the first time to compile data on an annual, systematic basis as to the periods of actual use of property which is subject to depreciation. Further, the system will provide data on repair and maintenance expenditures that will permit the refinement of rules for expensing or capitalizing such expenditures. In connection with the ADR system, a new office—the Office of Industrial Economics— is being established in the Internal Revenue Service to collect and review these data and other materials. This will provide a basis in the future for establishing or changing guideline classes, guideline lives, the

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[3] Reg. § 1.167(a)–11(b)(2) defines property which is eligible for the ADR system. Reg. § 1.167(a)–11(b)(4) provides asset depreciation ranges. The ranges appear in Revenue Procedure 71–25. See Internal Revenue Service Technical Information Release No. 1088, June 22, 1971 [hereinafter cited as TIR 1088]. No reserve ratio test will be applicable under ADR. See TIR 1088, § 3.

[4] Reg. § 1.67(a)–11(c)(2)(ii). The existing first-year convention permitting all property placed in service in a given taxable year to be considered placed in service in the middle of the year continues to be available. Reg. § 1.167(a)–11(c)(2)(iii).

[5] Reg. § 1.167(a)–11(d)(1). The salvage value of each account must be estimated at the time of filing a tax return for the year assets are placed in service. Certain property which is eligible for ADR will also qualify under § 167(f) of the Internal Revenue Code which permits salvage value to be reduced by 10 percent of the basis of the property. In no event may an account be depreciated below salvage value after taking into account the reduction in salvage value permitted by § 167(f).

[6] Reg. § 1.167(a)–11(d)(2). For the treatment of expenditures which are clearly capital in nature ("excluded additions"), see Reg. § 1.167(a)–11(d)(2)(viii). The repair allowance percentages are contained in Revenue Procedure 71–25. See TIR 1088. Reg. § 1.167(a)–11(f)(4)(e) requires taxpayers electing the ADR system to provide Treasury information with respect to expenditures for repair, maintenance, rehabilitation or improvement of assets to enable the Treasury to revise and update the percentage repair allowances.

[7] Reg. § 1.167(a)–11(b)(3); Reg. § 1.167(a)–11(f)(4).

ranges provided for various guideline classes, the repair allowances for various guideline classes, and other elements of the ADR system.[8]

III. Brief history of depreciation

For about 20 years after the introduction of our present income tax system in 1913, taxpayers were generally given freedom to determine depreciation allowances. The deductions claimed were not challenged unless it could be shown by clear and convincing evidence that they were unreasonable.[9] In 1933 the House Ways and Means Committee recommended a 25 percent reduction of depreciation allowances for 1934, 1935, and 1936.[10] However, the Treasury Department assured the Committee that similar results could be achieved administratively by shifting the burden of proof as to depreciable lives to the taxpayer, and this action was then taken by the Treasury Department.[11] The Committee approved this significant revision of the administration of the depreciation provisions in lieu of legislative action.[12] The effect of reducing depreciation allowances by 25 percent at that time would have been to increase tax revenues by $65 million, an amount equivalent to 11 percent of business tax liabilities.

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[8] See Reg. § 1.167(f)–11(f)(4) which requires the filing of information with respect to the retirement of assets as a condition to the election of the ADR system. The Office of Industrial Economics was established by an amendment to § 1113.8 of the IRS statement on organization and functions published at 36 F.R. 849–90 (Jan. 19, 1971). This amendment was filed with the Federal Register on June 22, 1971.

[9] Statement of the Honorable Douglas Dillon, Secretary of the Treasury, before the Joint Committee on Internal Revenue Taxation, Jan. 18, 1962, at 4.

The Revenue Act of 1913 provided that individual taxpayers could deduct from income "a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business." Act of October 3, 1913, 38 Stat. 167, § II(B). Corporate taxpayers were allowed "a reasonable allowance for depreciation by use, wear and tear of property, if any." 38 Stat. 172, § II(B)(b). In 1916 the depreciation provisions were modified for both corporations and individuals to provide for a reasonable allowance for depreciation of property arising out of its use or employment in the business or trade. Act of September 8, 1916, 39 Stat. 759 (individuals), 39 Stat. 768 (corporations).

See Bureau of Internal Revenue Regs. 74 and 77, Art. 205, which provided that "[w]hile the burden of proof must rest upon the taxpayer to sustain the deduction taken by him, such deductions will not be disallowed unless shown by clear and convincing evidence to be unreasonable." See also, address by Under Secretary of the Treasury Marion B. Folsom, National Press Club Luncheon Meeting, March 24, 1954, where Under Secretary Folsom stated:

"Prior to 1934, the taxpayer had wide leeway as to the amount which he could write off each year against his current income as allowance for the cost of machinery, equipment and buildings. So long as his policy was consistent and in accordance with sound accounting practice, the tax authorities raised little question, realizing that the cost could be written off only once."

[10] In a report dated December 4, 1933, the Ways and Means Committee of the House of Representatives had recommended a reduction of depreciation allowances by 25 percent for the years 1934, 1935 and 1936. This proposal was rejected, however, after Secretary of the Treasury Henry Morgenthau, Jr., assured the Ways and Means Committee that the desired result could be achieved administratively, stating:

"It is intended that this end shall be accomplished, first, by requiring taxpayers to furnish the detailed schedules of depreciation (heretofore prepared by the Bureau), containing all the facts necessary to a proper determination of depreciation; second, by specifically requiring that all deductions for depreciation shall be limited to such amounts as may reasonably be considered necessary to recover during the remaining useful life of any depreciable asset the unrecovered basis of the asset; and, third, by amending the Treasury regulations to place the burden of sustaining the deductions squarely upon the taxpayers, so that it will no longer be necessary for the Bureau to show by clear and convincing evidence that the taxpayers' deductions are unreasonable. These changes will increase the revenue substantially, and, although difficult to estimate, records indicate that the amount of the increase in revenue will equal that which would result from the proposal of the Ways and Means Committee."

Letter from the Secretary of the Treasury to the Chairman of the Ways and Means Committee, House of Representatives, January 26, 1934, in H. Rept. No. 704, 73d Cong., 2d Sess. 8–9 (1934).

[11] T.D. 4422, XIII–1, C.B. 58 (1934).

[12] The Ways and Means Committee gave this explanation in its report on the Revenue Bill of 1934:

"Your committee believes that the plan of the Secretary will be the best course to pursue. It will give greater equity and increase the revenue by as great an amount as the subcommittee plan. Consequently, no changes in the existing law are recommended. It should be observed that it is proposed not only to reduce the rates where they may be excessive, but also to reduce the allowance by spreading the unrecovered basis of any asset over the remaining useful life. This method of applying the depreciation rate to the cost of the asset reduced by depreciation previously allowed has long been used in Great Britain. In the opinion of your committee, it will automatically effect large reductions in these allowances."

H. Rept. No. 704, 73d Cong., 2d Sess. 9 (1934). *See also,* S. Rept. No. 558, 73d Cong., 2d Sess. 11 (1934).

From that time forward, useful life was largely determined by reference to standardized lives prescribed in the Internal Revenue Service's bulletin F,[13] and the taxpayer had a heavy burden of proof to sustain any shorter life for an individual asset. In 1942, bulletin F was revised, and in 1946 the concept of the declining balance method of depreciation was recognized for the first time.[14] Substantial controversy between taxpayers and the Internal Revenue Service as to proper depreciation allowances had begun following the 1934 action by Treasury and continued until the next major administrative change in depreciation policy, which occurred in 1953.[15]

In 1953, a new policy designed to reduce administrative controversies was promulgated in Revenue Ruling 90, which provided that beginning on May 12, 1953:

"[I]t shall be the policy of the Service generally not to disturb depreciation deductions, and Revenue employees shall propose adjustments in the depreciation deduction only where there is a clear and convincing basis for a change. This policy shall be applied to give effect to its principal purpose of reducing controversies with respect to depreciation." [16]

That policy was later incorporated into the regulations under the Internal Revenue Code of 1954.[17] It is generally conceded, however, that the change was

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[13] The earliest edition of bulletin F was a pamphlet dated August 31, 1920, under the Revenue Act of 1918 which contained no schedule of suggested average lives but defined depreciation as follows: "Depreciation means the gradual reduction in the value of property due to physical deterioration, exhaustion, wear, and tear through use in trade or business." Obsolescence was treated as a separate and supplemental factor in computing the depreciation allowance where the facts supported an additional amount.

As to the rates or lives to be used in computing depreciation and obsolescence, the original bulletin F of 1920 stated in the introduction:

"The Bureau does not prescribe rates to be used in computing depreciation and obsolescence, as it would be impractical to determine rates which would be equally applicable to all property of a general class or character. For this reason, no table of rates is published. The rate applicable and the adjustment of any case must depend upon the actual conditions existing in that particular case."

Bulletin F was first revised in January 1931 at which time the first schedule of suggested lives was published as a separate pamphlet entitled "Depreciation Studies—Preliminary Report of the Bureau of Internal Revenue." The schedules provided lives for individual assets used by industry groups (steel, food products, rubber goods, etc.).

[14] In I.T. 3818, 1946–2, C.B. 42, the Internal Revenue Service held that the use of the declining balance method of computing depreciation would be approved for Federal income tax purposes, provided it accorded with the method of accounting regularly employed in keeping the books of the taxpayer and resulted in reasonable depreciation allowances and proper reflection of net income for the taxable year or years involved.

Internal Revenue Service approval of the declining balance method of computing depreciation was a significant action. In enacting § 167(b) of the 1954 Code (which prescribes rules governing accelerated methods of depreciation), Congress sought to provide greater certainty for determining the proper amount of depreciation deductions. No objection was raised to I.T. 3818. See H. Rept. No. 1337, 83d Cong., 2d Sess. 22 (1954). Section 167(b) provides that certain methods of computing depreciation will be allowed in determining a reasonable allowance for depreciation. The last sentence of § 167(b), however, expressly states that nothing in § 167(b) should be construed to limit or reduce an allowance otherwise allowable under § 167(a).

The Internal Revenue Service in Rev. Rul. 57–352, 1957–2, C.B. 150, amplified, Rev. Rul. 59–389, 1959–2 C.B. 89, clarified, Rev. Rul. 67–248, 1962–2 C.B. 98, approved the use of 150 percent declining balance depreciation for certain property that does not meet the requirements of § 167(c) of the Code. The authority of the Service to allow other methods of depreciation is also indicated by the language of § 167(j)(4)(b) and § 167(j)(5)(c) of the Code which expressly contemplates other methods of depreciation such as the sinking fund method described in Regs. § 1.167(b)–4.

[15] See H. Rept. No. 1337, 83d Cong., 2d Sess. 22 (1954) where the Ways and Means Committee stated: "Interpretation of the word 'reasonable' has given rise to considerable controversy." See note 20, infra, with respect to the 10 percent leeway in estimates of useful life provided by the House bill to eliminate "the needless friction in this area." See also, S. Rept. No. 1662, 83d Cong., 2d Sess. 26, 28 (1954) and L. Kimmel, "Taxes and Economic Incentives" 47 (1950) ("Since 1934 depreciation has been one of the most controversial aspects of Federal income tax administration.").

[16] Rev. Rul. 90, 1953–1 C.B. 43. Guidelines for implementing this policy were set forth in Rev. Rul. 91, 1953–1 C.B. 44, clarified, Rev. Proc. 57–18, 1957–1 C.B. 748.

[17] Reg. § 1.167(a)–(1)(b). The Revenue Act of 1942 provided that the excess of the proceeds from disposition of a depreciable asset over its adjusted basis would be taxed as capital gains. This change coupled with the accelerated depreciation provisions of the 1954 Code suggested the refinement of the useful life concept which was reflected in the regulations issued in 1956. The 1956 regulations moved away from the concept of physical life, focusing instead on the period of use in the taxpayer's business. Section 1245 of the Internal Revenue Code, added in 1962, reversed the provisions of the Revenue Act of 1942 and provided that gains on disposition of certain assets would be ordinary income—not capital gains—to the extent of depreciation deductions previously taken. Section 1245 significantly lessened the need for restrictive interpretations of useful life and facilitated the 1962 depreciation reform. See S. Rept. No. 1881, 87th Cong., 2d Sess. 95 (1962).

not thereafter effective in reducing substantially the number of depreciation controversies.[18]

The Internal Revenue Code of 1954 made major changes in the provisions of law affecting depreciation. Congress authorized the use of the declining balance method at twice the corresponding straight line rate and the use of the sum of the years-digits method of depreciation.[19] Section 167(d) was added to authorize written agreements between the Internal Revenue Service and taxpayers specifically dealing with the useful life and rate of depreciation of any property. However, no change was made in the basic standard that there was to be allowed as a depreciation deduction "a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)" of property.

The 1954 Code as passed by the House would also have provided that the depreciation period used by the taxpayer could not be changed unless the period estimated by the Internal Revenue Service varied by more than 10 percent from the period estimated by the taxpayer. The report of the Ways and Means Committee stated that this provision was not intended to affect the 1953 administrative action of Revenue Ruling 90.[20] The Senate Finance Committee deleted the 10 percent statutory range of tolerance concluding that the objectives of the provision had already been achieved by the 1953 administrative action.[21]

In the period following the enactment of the 1954 Code, the Treasury Department continued to study depreciation questions, including the methods of determining useful life. In the late 1950's, a major project to revise bulletin F was undertaken, but Treasury subsequently indicated that the results of this study "did not give adequate recognition to increasingly rapid obsolescence and, consequently, did not indicate a sufficient shortening of useful lives in many cases." [22]

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[18] One of the reasons for the 1962 depreciation revision was the elimination of many administrative problems. Statement by Mortimer M. Caplin, Commissioner of Internal Revenue, in connection with the release of "New Depreciation Guidelines and Rules," July 11, 1962.

[19] Internal Revenue Code § 167(b).

[20] See H. Rept. No. 1337, 83d Cong., 2d Sess. 24–25 (1954) where the Ways and Means Committee stated:

"The bill also provides that the Internal Revenue Service may not disturb a depreciation rate used by a taxpayer so long as the useful life determined by the Internal Revenue Service to be correct does not differ by more than 10 percent from the useful life used by the taxpayer.

"At the present time, the Internal Revenue Service has announced that, as a matter of administrative policy, internal revenue employees will not disturb depreciation deductions unless there is a clear and convincing basis for a change. The committee's bill is not intended to affect that particular administrative policy in any way nor is it intended to be a statutory substitute for that policy. However, if the Commissioner finds by clear evidence that the useful life of property as estimated by the taxpayer is too short, but the difference between the Commissioner's estimate and that of the taxpayer is 10 percent or less, the bill provides that no change can be made by the Commissioner. Moreover, should the Commissioner decide to withdraw present administrative policy, the bill provides statutory assurances to taxpayers that in no event will Internal Revenue Service employees disturb the taxpayer's estimate of useful life where judgment as to its duration differs by less than 10 percent.

"It is hoped that by providing a minimum statutory leeway for the taxpayer in making his estimates of useful life, most of the needless friction in this area will be eliminated."

[21] See S. Rept. No. 1662, 83d Cong., 2d Sess. 28 (1954) where the Senate Finance Committee stated:

"Your committee has eliminated the '10-percent leeway' rule provided by the House bill, designed to assure a specific zone of administrative tolerance in the determination of service life. Under this provision, the Internal Revenue Service would not be permitted to disturb a depreciation rate unless the corrected rate differed by more than 10 percent from the useful life uses [sic] by the taxpayer. It appears that this provision would be considered inadequate and unsatisfactory by some taxpayers, and might be a substantial source of misunderstanding and distortion. The practical effect of eliminating this provision in assuring flexibility in administrative policy should not be great since policies already announced by the Internal Revenue Service under recent rulings should afford taxpayers freedom from annoying minor changes which would disturb the original estimate of service life."

[22] Statement of the Honorable Douglas Dillon, Secretary of the Treasury, before the Joint Committee on Internal Revenue Taxation, January 18, 1962, at 6.

In 1957, the Internal Revenue Service, at the request of the Treasury Department, undertook a study to revise and update bulletin F as announced in the Internal Revenue Bulletin 1957–1, page 26. The study group, as announced by Commissioner Harrington in a news release dated February 18, 1957, consisted of two outside consultants, a representative from the Internal Revenue Service and a representative from the Treasury Department.

The conclusions of this study were presented to Commissioner Harrington on February 7, 1958, with a wide variation in the recommended increase or decrease of estimated lives for various industries. For most industries no change in like from the 1942 bulletin F was recommended. In some cases as much as a 10–25 percent reduction in lives was recommended (water transportation, optical manufacture), and in other cases an increase of 10–15 percent was recommended (aircraft and motor transportation, printing and publishing).

In 1962, Revenue Procedure 62–21, the so-called guidelines, introduced a fundamental change in the concept of depreciation.[23] As a substitute for the thousands of asset classifications of bulletin F, assets were grouped by broad industrial classifications and by certain broad general asset classifications, with a guideline life established for each of these classes. Approximately 75 classes were created. Taxpayers were advised that if their depreciation deductions for assets within a particular class did not exceed the amounts that would be obtained by applying the guideline life to all assets falling within that class, their deductions would not be disturbed. A "reserve ratio test" was also introduced, but its application was suspended for 3 years.

The guideline lives were approximately 30 percent to 40 percent shorter than bulletin F lives.[24] It was anticipated that the changes would result in a revenue loss of $1.5 billion, or approximately 5.5 percent of annual business tax liabilities at that time. In discussing the revenue loss, President Kennedy stated:

"Business spokesmen who have long urged this step estimate that the stimulus to new investment will be far greater—perhaps as much as four times greater—than the $1.5 billion made available. In any event, it is clear that at least an equal amount will go into new income-producing investment and eventually return to the Government in tax revenues most, if not all, of the initial costs." [25]

At the same time, President Kennedy also explained the reasons for the change, stating:

"Although the executive branch has long been authorized by statute to allow reasonable deductions for depreciation based on obsolescence as well as wear and tear, the Internal Revenue's Bulletin F has never been changed since its publication in 1942, despite the vast and apparent changes in the rate at which modern machinery in a new age of technology can become obsolescent and require replacement." [26]

Douglas Dillon, Secretary of the Treasury, added:

"The guidelines will not be allowed to become outdated—as was the case for so long with Bulletin F, which the new guidelines replace. Our revision of depreciation guidelines and rules recognizes that depreciation reform is not something that, once accomplished, is valid for all time. It reflects an administrative policy dedicated to a continuing review and updating of depreciation standards and procedures to keep abreast of changing conditions and circumstances. The experience under the new guideline lives, industry and asset classifications, and administrative procedures, will be watched carefully with a view to possible corrections and improvements. Periodic reexamination and revision will be essential to maintain tax depreciation treatment which is in keeping with modern industrial practices." [27]

However, depreciation allowances and procedures have not been significantly revised since 1962. The 1962 guidelines established no method for regular, systematic collection of data as to asset acquisitions and retirements by taxpayers, and except for changes in the reserve ratio test in 1965, no significant changes have until now been made in the guideline classes or guideline lives.

The 1962 action represented a fundamental change in concept because it permitted depreciation deductions based on useful lives determined by reference to industry-wide experience but substantially shortened from the experience shown by most taxpayers within an industry. It treated assets as a class, rather than as individual assets—as a stock of capital even though assets within a

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[23] 1962–2 C.B. 418.

[24] "Depreciation Guidelines and Rules," U.S. Treasury Department, Internal Revenue Service Publication No. 456 (7–62), July 1962, at 1 [hereinafter cited as "Depreciation Guidelines"]. The guideline lives averaged 32 percent less than those contained in bulletin F for the manufacturing industry and 21 percent less than those in use by manufacturers covered in the Treasury survey. Statement by President John F. Kennedy on "Depreciation Guidelines and Rules," July 11, 1962 [hereinafter cited as statement by the President, July 11, 1962].

The guideline lives were also estimated to be "15 percent shorter than the lives in actual use by 1,100 large corporations which hold two-thirds of all the depreciable assets in manufacturing." Statement by Douglas Dillon, Secretary of the Treasury, on the issuance of the "New Depreciation Guidelines and Rules," July 11, 1962 [hereinafter cited as statement by Secretary Dillon, July 11, 1962]. Each taxpayer was instructed to "continue to base his depreciable lives on his own best estimate of the period of their use in his trade or business," but taxpayers could use the guideline lives as a matter of right for a period of 3 years and thereafter unless there were clear indications that the taxpayer's replacement practices did not conform with the depreciation claimed and were not even showing a trend in that direction.

[25] Statement by the President, July 11, 1962.

[26] Id.

[27] Statement by Secretary Dillon, July 11, 1962.

class were heterogeneous with respect to ages, useful lives, and physical characteristics. Assets within the class would have individual lives far longer and far shorter than the guideline class life. For example, the category "office furniture and equipment," which includes items as diverse as desks and chairs and electronic computers, was established and given a single guideline life of 10 years. Similarly, broad industrial categories were given a single guideline life. For example, all manufacturing assets used in the "chemical and allied products" industry were given a guideline life of 11 years. All assets used in air transport, regardless of their nature, were grouped in a single class for which a guideline life of 6 years was established. This list of guideline class lives was published as a substitute for bulletin F.[28]

Thus, the 1962 action abandoned the asset-by-asset approach of the prior administrative treatment of depreciation, which had generally resulted in a particularized determination of the useful life of each of the taxpayer's assets. While a reserve ratio test was introduced, though suspended in its application, it was also to be applied with reference to guideline classes. Except as the reserve ratio test was violated, taxpayer depreciation deductions were in effect governed by industry-wide standards, reflecting a liberal determination of industry averages of periods for which broad classes of assets were used. The guideline procedure—Revenue Procedure 62–21—made no provision, however, for the treatment of repair and maintenance expenditures.[29]

Except for amendments to the reserve ratio test in 1965 no significant administrative or legislative changes in depreciation occurred from 1962 to 1969.[30] In the Tax Reform Act of 1969, Congress added section 167(j) to the Code limiting the use of certain accelerated methods of depreciation in certain cases and made certain other changes in the methods of depreciation without affecting the reasonable allowance standard.[31] The repeal of the investment credit by the 1969 act provoked requests from members of Congress that the Treasury Department undertake a study of the adequacy of then existing depreciation allowances. Treasury officials informed the House Ways and Means Committee that administrative depreciation reform would be considered. In July 1970, in response to a request from Senator Jacob K. Javits, the Treasury Department submitted to him a detailed analysis of certain economic considerations with respect to various depreciation changes.[32]

During 1970, the Treasury Department also gave extensive assistance to the President's Task Force on Business Taxation which recommended revision of depreciation policies in its report published in September 1970. Following further study, the outlines of the ADR system were announced on January 11, 1971, and proposed regulations were published on March 13, 1971.

Over 150 written comments were received with respect to these proposals. Three days of public hearings were held on May 3–5, 1971, at which 50 persons testified, resulting in over eight hundred pages of transcript. The written comments and the testimony were thoroughly considered prior to adoption of the regulations on June 22, 1971. Two major changes in the proposed regulations were made as a result of the comments and testimony:

(1) The Office of Industrial Economics was established to insure that guideline classes, guideline lives, the repair allowances for various guideline classes and other elements of the ADR system do not become outdated in the future.

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[28] "Depreciation Guidelines" at 1.

[29] Id. at 54 (Question and Answer No. 33).

[30] A study prepared by a member of the Treasury staff, Richard L. Pollock, was published in 1968. R. Pollock, "Tax Depreciation Policy and the Need for the Reserve Ratio Test" (1968).

[31] The Tax Reform Act of 1969, Public Law 91–172, added § 167(j) to the Code which limits depreciation on new nonresidential property acquired after the effective date of § 167(j) to 150 percent declining balance depreciation. Used property thereafter acquired is limited to straight-line depreciation, except that 125 percent declining-balance depreciation can be used for certain used residential property. Section 167(k) of the Code specifically provided that depreciation on certain rehabilitation expenditures for low and middle income housing can be taken on a straight-line basis over a 60-month period. Section 167(l) was added to freeze the then-present situation with respect to the treatment of depreciation for rate making purposes by certain public utilities. Sections 169, 184, and 187 were added to the Code to permit the cost of certain pollution control facilities, railroad rolling stock, and coal mine safety equipment to be recovered over a 5-year period. None of these sections, however, will limit or reduce an allowance for depreciation otherwise allowable under § 167(a).

[32] See 116 Congressional Record E6964 (daily ed. July 23, 1970).

(2) The repair allowance has been simplified and made more generally applicable; a specific repair allowance has been provided for each guideline class.[33]

IV. The reserve ratio test

The ADR system will be applied without a reserve ratio test. An understanding of this test is essential to a discussion of the reasons for adopting the ADR system.

Concept and method.—The reserve ratio test was adopted as part of the guideline procedure in 1962, subject to a 3-year moratorium on its actual application, and was later revised and modified in 1965. The test was to provide a mechanical method or set of procedures to test whether the taxpayer's actual period of use conformed to the useful life for tax purposes. Because of certain tolerances, if the taxpayer's actual replacement schedule for depreciable assets in a particular guideline class was no more than 20 percent longer than the guideline life the test would be considered to be met.[34] Its stated purpose was to provide "an objective basis for comparing the tax lives used and replacement practice." [35] In its basic concept, the reserve ratio test utilized the principle that the relationship between the average useful life for tax purposes of assets in group, composite, or other multiple asset accounts can be compared with the average actual period of use by comparing the amount of accumulated depreciation reserves with the total investment in depreciable assets in the account. This provides a measurement of total past depreciation deductions relative to the depreciation base.

A simple example will illustrate the basic concept of the test: assume a taxpayer buys five machines, each costing $100 on July 1 each year which it depreciates on a straight-line basis over a 3-year useful life and retires each machine when it has been in use for exactly 3 years. After the taxpayer has been in business for over 3 years, it will have in use at the end of each year five 6-month-old machines, five 1½-year-old machines, and five 2½-year-old machines. The total depreciation taken on all the machines still in use would be:

In the 6-month-old machines (5 times ⅙ of $100)	$83.33
In the 1½-year-old machines (5 times ½ of $100)	250.00
In the 2½-year-old machines (5 times ⅚ of $100)	416.67
Total	750.00

Since the total cost of the 15 machines was $1,500, the reserve ratio—the ratio of total depreciation to original cost—would be 0.5. If the machines were actually used for 4 years, but depreciation was continued to be based on a 3-year useful life, the total depreciation taken on all machines in use at the end of the fourth year would be $1,250, the total cost of machines still in use would be $2,000, and the reserve ratio would be 0.625.

A "normal" reserve ratio (0.5 in the above example) which would occur if the tax life conforms to the actual period of use can be determined under various sets of circumstances and can be used as a test ratio.

In essence, the reserve ratio test relied on a comparison of the taxpayer's reserve ratio with the test ratio—the ratio which would exist if the retirement schedule conformed to the presumed life cycle authorized by the guideline. If the taxpayer has sufficient amounts of fully depreciated property still in use, these assets will have depreciation reserves equal to their cost and his actual reserve ratio will be higher than the test reserve ratio. Conversely, if the taxpayer retires amounts of assets before their useful life for tax purposes has expired, the ratio of depreciation reserves to total asset costs will be lowered.

In cases where the reserve ratio test applied, if the taxpayer's reserve ratio exceeded the test ratio, subject to certain tolerances, exceptions, and transition allowances, there was a presumption that: (1) His account contained more than the acceptable amount of overage assets, (2) his replacement cycle was therefore

[33] A number of more technical changes were also made in the final regulations as a result of written and oral comments received on the proposed regulations. See Treasury news release announcing adoption of the ADR regulations (June 22, 1971).

[34] "Depreciation Guidelines" at 2–3, 6, 52–53. Question and answer 28 provided:

"Question: What do the upper and lower limits of reserve ratio ranges represent?

"Answer: The upper limit of the reserve ratio range is the reserve ratio for a taxpayer's guideline class which would result if the assets in that class were used for a period 20 percent longer than the class life used by the taxpayer. The lower limit of the reserve ratio range is the reserve ratio for a taxpayer's guideline class which would result if the assets were used for a period 10 percent shorter than the class life used by the taxpayer."

[35] Id. at 6.

too much slower than the guideline life cycle, and (3) his tax life used for depreciation purposes was therefore unrealistic and should be lengthened.

Tabular version of the test (1962).—The initial guideline procedure of 1962 provided only the "tabular" version of the reserve ratio test, so called because it relied on a series of tables which prescribed test ratios for different methods of depreciation, different test lives, and different rates of growth for the asset account.[36] Provision in the tables for a wide range growth of rates, both positive and negative, was essential to cover the variety of possible situations. Fast-growing accounts with a heavy representation of new assets which had little accumulated depreciation would have lower reserve ratios than stable or declining accounts. The latter would tend to have high ratios due to the heavy representation of older assets with large accumulated depreciation reserves. There were a number of steps in applying the tabular form of the test,[37] but the net result was that if the taxpayer's ratio exceeded the upper limit of the indicated test ratio range, he was potentially subject to a lengthening of his tax lives. Conversely, if his ratio was below the lower limit, he was eligible for a shortening of tax lives. The lengthening was generally 25 percent under the original 1962 action but was later liberalized; a shortening of tax lives was generally 15 percent.

Initial 3-year moratorium.—For the first 3 years of the guideline procedure, the use of guidelines was permitted as a matter of right without regard to the reserve ratio test. During this initial 3-year grace period or moratorium, taxpayers were not required to meet the test and apparently many taxpayers would not have initially qualified for the guidelines or have been able to continue their use if the reserve ratio test had been immediately effective.

Trending rule.—In addition to the 3-year moratorium, taxpayers were initially granted a transition rule. This rule gave them a period (beginning with 1962) equal to the guideline life for the class in question—which varies from 3 to 60 years—to bring the reserve ratio within the upper limit of the applicable reserve ratio range, provided the ratio was moving or trending toward the limit in this period.[38]

Availability of "facts and circumstances" test.—If the taxpayer failed the reserve ratio test, he could always demonstrate by reference to his particular facts and circumstances that his depreciation deduction was nonetheless justified. Thus, the reserve ratio test was merely an additional procedure interposed in the depreciation administrative process prior to the traditional individualized review of all relevant facts and circumstances.

Guideline version of the test (1965).—As part of the revisions in the 1962 guideline procedures announced in 1965, a new and alternative form of the reserve ratio test was introduced.[39] The original tabular form of the test had proved defective since its assumption of a regular compound interest growth

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[36] Id. at 31–42.

[37] Application of the tabular form of test involved the following steps and procedures:

1. *Determination of taxpayer's reserve ratio*.—First, the reserve ratio was determined by dividing the depreciation reserve for a particular class of assets by the original cost-plus-capital additions and improvements (or other basis) of these assets.

2. *Ascertaining the rate of growth*.—The next step was to ascertain the rate of growth of the guideline class by computing the ratio of assets in the class at the close of the current year to the assets in the class one replacement cycle earlier. This step was necessary because the expected reserve would be lower as the growth rate was higher.

3. *Test life determination*.—The taxpayer would then proceed to find his "test life." The test life would be: The guideline life, if the taxpayer used a life equal to or longer than the guideline; the life previously justified, where he used a below guideline life which was equal to or longer than the life previously justified; the life used in the preceding year, where the taxpayer wished to establish a below guideline life shorter than he had previously used; the life used in the current year, where the taxpayer wished to justify use of the life he had been using for half a cycle; or the life to which the taxpayer had been lengthened, in all cases where an upward adjustment in life had been made.

4. *Comparison of reserve ratio with reserve ratio range in reserve ratio table*.—The final step in applying the test was to locate the appropriate reserve ratio table depending upon the depreciation method (straight-line, 200 percent declining balance, 150 percent declining balance, or sum of the years-digits), and ascertain the cell in the table corresponding to the taxpayer's test life and growth rate. If the taxpayer's ratio exceeded the upper limit of the indicated test ratio range, he was potentially subject to an upward life adjustment in accordance with prescribed rules. If his ratio was below the lower limit, he was eligible for a downward life adjustment. See "Depreciation Guidelines" at 42 for illustrative adjustments of class lives.

[38] Proper trending was shown if the amount by which the reserve ratio exceeded the upper limit for any taxable year was lower than it was for any one of the 3 preceding taxable years. "Depreciation Guidelines" at 28.

[39] Revenue Procedure 65–13, 1965–1 C.B. 759.

pattern was unrealistic. The tabular form favored taxpayers whose growth reflected particular irregularities. At the same time, the tabular form unfairly discriminated against taxpayers whose growth had been concentrated more towards the earlier part of the cycle and whose actual ratio was therefore high relative to the test ratio. Other defects of this type made it necessary to rely on the 20 percent leeway to avoid unwarranted failures of the reserve ratio test, and even this tolerance was not always adequate.

To cope with this problem, the guideline form of the reserve ratio test was introduced in 1965. This alternative was an effort to allow the taxpayer to compute a reserve ratio standard tailored to his individual circumstances—in particular, his special pattern of growth or irregular changes in capital expenditures during the preceding life cycle.

Despite the deficiencies of the tabular form of the test, it continued to be made available to taxpayers; the option to use the tabular form or the guideline form was made an annual one. Taxpayers who failed under one version of the test might qualify under the other. Like the tabular form, the guideline form of the test built in a 20 percent leeway in the retirement schedule as compared with the tax life.[40]

Transitional allowance.—Two additional rules were introduced in 1965. Both were applicable for a period of one guideline life beginning in 1965. A transitional allowance rule in effect extended the 3-year moratorium by raising the upper limit of the standard reserve ratio (either tabular or guideline form) by a specified number of percentage points, starting at 15 for 1965 and phasing out gradually over the guideline life period. One-third of the 15 percentage points (five points) phased out over the first half of the transitional period; the remaining two-thirds (10 points) over the second half of the period.

Minimal adjustment rule.—A minimal adjustment rule reduced substantially the permissible lengthening of tax lives under the 1962 guidelines. Under the 1962 guideline procedure, if the reserve ratio test was not met and the taxpayer was unable to demonstrate under all the facts and circumstances that no adjustment was warranted, useful lives could be lengthened by roughly 25 percent.

Under the 1965 minimal adjustment rule, if (1) the trending requirement was not met, (2) the "transition limit" (the sum of the upper limit of the standard reserve ratio range plus the transitional allowance) was exceeded, and (3) if the taxpayer was unable to demonstrate, under the facts and circumstances, that a lengthening adjustment was not warranted, useful lives were to be lengthened under a sliding scale. If the actual reserve ratio exceeded the transition limit by less than 10 points, the useful life could not be lengthened by more than 5 per-

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[40] A taxpayer testing or electing to use the guideline form of the reserve ratio test followed a procedure outlined in the following headings. The basic objective was to carry out a comparison of the taxpayer's actual reserve ratio with the reserve ratio limit determined by dividing the total cost of assets acquired during the extended life for the guideline class into the total computed reserve for the same period.

Costs of assets.—The cost of assets for any year was the annual investment in assets (without reduction for retirements or depreciation) in the guideline class. The annual investment included the cost of all assets acquired during the year regardless of present status, i.e., it included assets even if they had been discarded or depreciated in part or in full. For example, if $30,000 of assets were acquired in 1959 and by 1965, $5,000 of these assets had been sold or retired, $30,000 was nevertheless to be entered.

Extended life.—The extended life, for any guideline class, was the test life for that class, usually guidline life, plus 20 percent of such test life. In effect this permitted the taxpayer to qualify under the test although he had overage or fully depreciated assets on hand equivalent to the acquisitions in the 20 percent leeway period prior to the preceding life cycle. If the extended life included a fractional part of a year, the fractional part applied to the year preceding the oldest full year of the extended life and only the proportional part of the cost of assets for such year was to be used. For example, in the case of a 14.4 year extended life, the fraction (40 percent) would apply to the 15th preceding year. For such 15th year, only 40 percent of the cost of assets was to be entered.

Computed reserve.—To obtain the computed reserve, the cost of assets for each year was multiplied by the appropriate annual factor from the table of annual factors. That table provided annual factors appropriate for each test life and depreciation method (e.g., straight-line) used for a guideline class.

Different depreciation methods applied to a guideline class account.—If the taxpayer used more than one depreciation method with respect to different assets in the same guideline class, he was to record the cost of assets depreciated under each method on a separate form. However, in computing the reserve ratio limit, the total cost of assets on each such form was to be added and the grand total divided by the grand total of the total computed reserve for each such computation.

Mortality dispersions.—Like the tabular form, the guideline form assumed all the assets in the account were retired at the same time with no dispersion of mortality around the average life. This has been charactrized as capricious and nonsensical. "ADR Hearings" at 357–358 (testimony of George W. Terborgh).

cent. If the transition limit was execceded by 10 or more points, the useful life could not be lengthened by more than 10 percent.[41]

Deficiencies of the test—new and green accounts.—A major weakness of the reserve ratio test in both the tabular and guideline forms is its inability to furnish any significant measure of the correspondence between tax life and replacement cycle for a new account until a considerable period of time has passed. To determine whether the upper limit has been exceeded, the time required would be a period equal to at least 120 percent of the tax life; the new account could not possibly fail the reserve ratio test for a period equal to the tax life plus the 20 percent leeway allowed by the test.

Since a large proportion of businesses are short-lived or operate under conditions where part or all of their depreciable property would be characterized as a "green account," the reserve ratio test has only limited relevance. In addition, since a new business or one with new or green accounts was in effect permitted to use the guideline life without any effective test of its retirement schedule for one life cycle plus the leeway afforded under the reserve ratio test, the reserve ratio test gave an advantage to new businesses. By contrast, the depreciable property accounts of older businesses would be subjected to the test immediately after the 3-year moratorium plus the expiration of the transition allowance. Therefore, as between two businesses seeking to use a liberal guideline life—one a new business and the other a business with an historical experience (a seasoned account) which might subject it to the reserve ratio test and so deny it the right to use the shorter life—the test tended to give more favorable treatment to the new business by assuring it undisturbed use of the guideline life for a considerable period.

Standby property.—One of the unresolved problems in the operation of the reserve ratio test was the treatment of overage property retained for standby purposes or for a possible change in demand or other economic conditions which would make its use profitable. In determining the taxpayer's actual reserve ratio for purposes of the test, all fully depreciated assets still in use or in the taxpayer's possession generally were to be included in the appropriate guideline class property account, and a 100 percent depreciation reserve for such assets was to be included in the accumulated total for the guideline class. Thus, assets held in a standby or nonproductive capacity, the assets are not being used but not yet scrapped, could cause failure of the reserve ratio test. Consequently, a taxpayer who retained a moderate stock of fully depreciated property as standby or for use as peakload capacity, or on the chance of a future return of profitability, risked a lengthening of the tax life of the great bulk of his depreciable assets in active use.

Since growth was taken into account in arriving at the test ratio, the only way for taxpayers to avoid failing the reserve ratio test was to retire overage assets. Thus, the reserve ratio test in effect created a tax bias in favor of scrapping capital equipment that might still be useful for standby purposes, for peak production periods, for national emergencies, or for other emergency demands of various kinds. This effect would be clearly felt where a growing business weighed the discarding of relatively small amounts of overage equipment against the consequences of failing the reserve ratio test and suffering a lengthening of the depreciable life on an entire guideline class of property. Businesses do not readily destroy or dispose of useful resources, but they may be expected to do so when the benefits of retaining these resources are less than the tax benefits of retaining a shorter depreciable life on a very large amount of property.[42] It is possible to keep the demand for new equipment at a high level to modernize American industry and stimulate technological advance without wasting currently or potentially useful assets.

Hindsight nature of the test.—The most fundamental defect of the reserve ratio test, however, is that it looked solely backward. That is, it reflected only what the taxpayer has done in the past—in some cases the rather ancient past—and thus gave guidance for the future only to the extent that history repeats

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[41] Revenue Procedure 65–13, 1965–1 C.B. 759, 768–771.

[42] Defenders of the reserve ratio test point to the 20-percent leeway rule as ameliorating the standby problem, but the argument in unconvincing. The 20-percent tolerance had other functions, such as offsetting the effect of technical errors due to irregular growth and giving the taxpayer some flexibility in the timing of retirements and replacements. It is difficult therefore to expect it to handle the standby problem also.

itself. The very nature of the reserve ratio test is inconsistent with the most salient reason given for adopting the guideline lives—that depreciation policies prior to 1962 were based on past replacement policies and, for that reason, had "inadequately reflected the fast-moving pace of economic and technological change." [43]

The 1962 depreciation guidelines were designed to "correct this fundamental flaw and . . . recognize that obsolescence is a continuing factor in business life which our tax administration must take fully into account." [44] A reserve ratio test measures only the past practices of the particular taxpayer and does not take this factor into account.

The reserve ratio test could well signal a need for lengthening of assets' lives when the exact opposite is required. A guideline class of assets, for example, office furniture and fixtures, might now primarily consist of computers and automated accounting systems while in prior years it was composed primarily of typewriters and adding machines. The fact that a particular taxpayer held his adding machines and typewriters for a period of time longer than their estimated useful life for tax purposes does not necessarily signal a longer class life today. Because of rapidly changing technologies in the computer field at the present time, the class might have a far shorter average life after giving due effect to a "reasonable allowance for obsolescence."

Another instance where the reserve ratio test would be misleading is a situation in which a taxpayer, or perhaps a number of taxpayers in an industry, "mark time" in their retirement and replacement policy while awaiting the development to commercially feasible use of a new type of machine or a whole new process innovation which would outmode their old equipment but would itself probably be subject to faster wearing out or obsolescence. The situation here would call for shorter lives for the new equipment, not longer lives dictated by the artificially delayed retirement of the older type of equipment.

While a facts and circumstances analysis, if administratively feasible, might prevent these results, the reserve ratio test itself would be inadequate in such cases. Furthermore, its false signals might tend to prejudice the negotiation of a correct forward-looking life by the taxpayer and the revenue agent.

Reserve ratio test never a practical reality.—From its inception the reserve ratio test exhibited a number of serious difficulties, both practical and conceptual. The problems arising from its application and its impact on taxpayers using the guideline lives were recognized to be so great that the 1965 transition rules were adopted to extend the 1962 moratorium so that the test would not begin to have practical effect for a number of additional years. As a practical matter, therefore, there generally has been little or no reserve ratio test in effect for the 9 years since introduction of the guidelines in 1962, although the transitional allowance is phasing out so that the test would begin to have real potential effect for 1971 and later years.

Complexity of the test.—In the opinion of many observers, the complexity of the reserve ratio test in its two alternative forms and its related rules, options, transitions, phaseouts, and adjustments has made it virtually unworkable.[45]

During August of 1962, following promulgation of Revenue Procedure 62–21, two or three senior revenue agents from each of the 60 district offices were brought to Washington for intensive training as instructors in the guideline procedures. They, in turn, conducted training sessions in each of their respective district offices for all of the resident revenue agents. Despite these efforts some 87 percent of the experienced revenue agents in the Service at the present time considered the reserve ratio test of the guideline procedures to be unworkable and impractical because of its complexity, its tolerances or limitations. Eighty-eight percent of experienced revenue agents favor abandoning the test. Thus, despite intensive

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[43] Statement of Secretary Dillon, July 11, 1962.
[44] Id.
[45] See, e.g., "Hearings on the Proposed Regulations Under Section 167 of the Internal Revenue Code of 1954 Relating to the Asset Depreciation Range System" before the U.S. Department of the Treasury, Internal Revenue Service, at 331 (1971) (testimony of Charles W. Stewart). "([T]he reserve ratio test is unworkable, is so complex as to be beyond the comprehension of many corporate taxpayers, and not likely to lend itself to meaningful, equitable, and consistent administration.") [These hearings are hereinafter cited as "ADR Hearings."] Others have suggested that the reserve ratio test is relatively easy to compute. Id. at 222a–23 (testimony of Martin David); Id. at 545–46 (testimony of J. D. Coughlan).

training of revenue agents in the intricacies of the reserve ratio system, few agents are able to apply the test in all its complexity.[46]

Seventy-five percent of the IRS conferees who handle disputed or unagreed depreciation issues beyond the revenue agent level have found that the reserve ratio test is not helpful in reducing controversies over useful life.[47] Furthermore, the complexity of the test suggests that its application is an unwarranted burden to taxpayers. The application of the reserve ratio test is not a unitary proposition for each taxpayer. Rather, it is a multiple procedure since it has to be repeated for each guideline class (a taxpayer would typically have several classes) with subcomputations for property under different depreciation methods. For many taxpayers both the tabular and the alternative guideline form would need to be explored year after year, with possible projections into the future, to get some evaluation of the taxpayer's probable tax depreciation status—an important consideration in financial planning and investment decisions.

Risk of adjustments in useful life.—The United States was unique in providing a reserve ratio test. No other country apparently has employed an objective rule of this type in its depreciation system. Comparison of guideline lives in the United States with tax lives provided in other countries therefore has been misleading to the extent it ignored the existence of the reserve ratio test in this country, which introduced a risk or contingency element in depreciation allowances not apparent from the guideline life structure by itself.

V. Reasons for adoption of ADR system

There are two major sets of considerations which led to the decision to adopt the ADR system:

(1) The necessity from the standpoint of administration of the internal revenue laws for a comprehensive and improved system for dealing with the allowance for depreciation and the integrally related problem of repair and maintenance expenditures; the long history of unsatisfactory controversy over bulletin F; the fundamental defects of the reserve ratio test; the magnitude of the problem of extensive facts and circumstances disputes with a substantial number of taxpayers; the logic, practical importance, and greater equity of relying on industry average lives; the need to move toward neutralizing depreciation as a competitive factor; and the necessity of providing a depreciation accounting system which would produce regular, systematic data for use in establishing industry lives and repair allowances—all these factors dictated the adoption of the ADR system.

(2) The statutory requirement that depreciation deductions include a "reasonable allowance for obsolescence" required a recognition of changing circumstances, current and anticipated, which call for permitting taxpayers to select lives from a range which includes lives shorter than those permitted by existing guidelines. The ADR system recognizes current and potential obsolescence as a result of recently imposed environmental control requirements, an increasing level of foreign competition, and high rates of capital formation since 1962 which suggest rapid incorporation of technological improvements. These and other factors indicate that depreciation allowances should not be tied to the past history of the individual taxpayer—an unreliable guide to the period of future productivity of the taxpayer's stock of capital assets.

The problem of administration.—Depreciation deductions are presently being taken in about 10 million tax returns. Because of manpower constraints, the Internal Revenue Service has only approximately 150 depreciation specialists devoted primarily to depreciation work. While revenue agents audit the simpler depreciation accounts of many taxpayers, they are not trained and generally cannot be trained to deal with complex depreciation accounting, the intricacies of which are growing in scope. Despite intensive training within the Internal Revenue Service, few revenue agents are able to apply the reserve ratio test in all its complexity. Nor are they generally qualified to make engineering judgments

[46] The percentages cited above were derived from a survey of Internal Revenue Service revenue agent and engineer personnel conducted in May 1971. Over 3,500 Internal Revenue Service employees with over 5 years experience responded to a questionnaire prepared by the National Office of the Internal Revenue Service. The survey was designed by experienced Internal Revenue Service officials to determine whether the administrative difficulties with the reserve ratio test system perceived by National Office personnel were consistent with the views of field personnel. This IRS survey has been made available to the public. The percentages in the text may be obtained from part II, questions 4 and 10. [This survey is hereinafter cited as "IRS Field Survey."]

[47] "IRS Field Survey," Part III, Q. 4.

about the useful lives of individual assets or asset classes. More often than not, revenue agents have been forced to use industry norms, or published guides such as bulletin F, as a ceiling without regard to individual retirement practices.[48] The specialists qualified to do this work are able to consider depreciation issues in roughly ten thousand tax returns annually (one-tenth of 1 percent of returns with such issues), and these are primarily returns of larger corporations.[49]

The institution of the guidelines in 1962 and the effective suspension of the reserve ratio test until the present time have resulted in taxpayers generally using the guideline class lives or shorter lives. When the guidelines were introduced, the reserve ratio test was suspended because it would have resulted in widespread disqualification for use of the guideline class lives and consequent inequities. When the test was about to take hold in 1965, it was effectively suspended again to prevent failures. Rather than seek ways to postpone further its effect, Treasury considers it sounder to acknowledge the basic and irreparable defects of the test and abolish it.

If the test were applied, all taxpayers who fail the test could be expected to assert that they are entitled to the guideline class lives on a facts and circumstances basis.[50] If this should occur among only 5 percent of taxpayers claiming depreciation, audits would be required in 500,000 cases if the tax laws are to be applied uniformly—an increase of 20 percent in the total number of audits performed in 1969 and far beyond the present capacity of the Service to accomplish effectively and equitably.

Taxpayers are not required to elect guidelines in their tax returns, as ADR would require, but may wait until audit to do so.[51] Since a small percentage of taxpayers have formally elected guidelines, a great number of taxpayers are apparently claiming lives even shorter than the guidelines on their returns. This circumstance makes even more apparent the administrative impossibility of

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[48] See "IRS Field Survey," part I, Q. 10, which indicates that prior to the issuance of Revenue Procedure 62–21, 80 percent of IRS revenue agents accepted lives claimed by taxpayers as long as the lives claimed equaled bulletin F lives without regard to individual retirement practices. During this same period, about 60 percent of the field revenue agents indicated that they recognized a 10 percent or greater tolerance in the depreciable life claimed by the taxpayer before proposing adjustments (part I, Q. 11), and almost half of the revenue agents permitted useful lives after audit shorter than that reflected by actual retirement practice.

[49] Essentially all of the depreciation issues in the National Office of the Internal Revenue Service are handled by the Appraisal Section of the Engineering and Valuation Branch with a present staff of 14 technical man-years. Approximately 30–50 percent of the Appraisal Section's time is presently devoted to depreciation case issues (four to seven man-years). Other activities deal mainly with valuation matters and investment credit issues.

Of the field engineering staff totaling 224 specialists, 87 are natural resource engineers whose time and efforts are devoted largely to depletion and valuation issues in the oil, timber, and mining industries with only relatively minor emphasis on the depreciation issue. The remaining 137 engineers and appraisers devote their efforts primarily to depreciation, valuation, and repair issues in the manufacturing, construction, transportation and public utilities industries.

Generally, this latter group of engineers consider depreciation and repair issues in every case, but these are not generally the primary issues. The average workload of this group is 20–30 taxpayer cases per year and each case may involve 2 to 3 tax return years per taxpayer. Therefore, it may be estimated that engineer specialists consider depreciation and repair issues in about ten thousand tax returns each year (mostly large corportions).

[50] The "IRS Field Survey" suggests that a significant number of taxpayers claiming depreciation during the period since 1962 have used "facts and circumstances" to justify the tax lives claimed rather than the reserve ratio test or the other rules of Revenue Procedure 62–21 (part II, Q. 8).

[51] "Depreciation Guidelines and Rules," U.S. Treasury Department, Internal Revenue Service Publication No. 456, Revised Aug. 1964, question 66, at 75.

The 1966 "Statistics of Income, Business Income Tax Returns," U.S. Treasury Department, Internal Revenue Service, Publication 438 (6–69) reports approximately 9 million returns claiming depreciation deductions, of which roughly 7.4 million were proprietorships and subchapter S corporations. Of this total, 62,000—or less than 1 percent—showed that they had elected to employ Revenue Procedure 62–21 (the depreciation guideline system. Id., table 2A at 24–25, table 3.9 at 170, and table 4.5 at 190. Since taxpayers are not required to elect Revenue Procedure 62–21 in their returns but are permitted to wait until audit to do so, this figure probably vastly understates the number of taxpayers who are relying upon using the guideline lives. However, the majority of IRS experienced revenue agents indicated that most taxpayers do not use the depreciation guidelines, and as the size of the taxpayer decreases, the number of taxpayers using the guidelines decreases. "IRS Field Survey," part II, Q. 1 and 2. This feature of the guideline system further complicates administration. Taxpayers will often claim depreciation deductions based on useful lives shorter than the guideline life intending to argue facts and circumstances with the knowledge that they may elect the guideline life upon audit. This would not be permitted under the ADR system; taxpayers would be required to elect the ADR system at the time of filing their income tax returns. Reg. § 1.167(a)–11(f)(1).

evaluating depreciation deductions claimed by a large percentage of taxpayers on the basis of facts and circumstances.

Thus, continuation under Revenue Procedure 62–21 without a major change was not possible. Further, the guidelines made no provision for, but in fact exacerbated, the problem of expensing or capitalizing repair and maintenance expenditures. The shorter guideline lives gave rise to a greater number of disputes because revenue agents often asserted that particular repair expenditures should be capitalized because they would extend the life of the assets beyond the guideline life. Depreciation allowances and repair and maintenance expenditures are intertwined for any business taxpayer and require an integrated solution, as ADR provides.

Similarly, the issue of salvage value must be resolved in any comprehensive system for dealing with depreciation. If this is not done, the area of dispute will merely shift to the salvage issue. The ADR system requires that salvage be established when assets are first placed in service. Certain property which is eligible for ADR will also qualify under section 167(f) of the Internal Revenue Code which permits salvage value to be reduced by 10 percent of the basis of property. In no event may assets be depreciated below salvage value. However, since the determination of salvage value is at best an estimate, minimal adjustments to salvage value will not be made. ADR provides that the taxpayer's estimate will not be disturbed unless the proposed adjustment would change the estimate by more than 10 percent of the cost of the assets in the account. On the other hand, if the adjustment would exceed this limitation, the entire adjustment will be made. Thus, the rule is merely a constraint on audit adjustments; it is not an additional 10 percent expansion of the rules of section 167(f).

The guideline system—for 9 years while the reserve ratio test has been made largely ineffective—recognized the impossibility of administering the depreciation provisions of on individualized basis. The ADR system is realistic and forthright in recognizing this same impossibility. ADR gears the annual depreciation allowance and the repair allowance to industry average lives and experience. This avoids the inordinate complexities of the reserve ratio test, the competitive inequities between new and old businesses posed by the reserve ratio test, the artificial and unwise pressure to scrap standby and other usable but unused facilities, and the fundamental error of the test in looking at an individual's past practices to judge the period of future utilization of the newly acquired stock of capital assets.

In holding that a reasonable allowance for depreciation (including a reasonable allowance for obsolescence) should be based on industry experience, not the individual taxpayer's past experience, ADR adopts a rational concept. Taxpayers in a particular industry, competing in free markets, will tend to move toward similar production processes, will tend to use similar equipment, and will tend to retire equipment on similar schedules. Over any given time period, however, the individual taxpayer is subject to events which are both nonrecurrent and unique to that taxpayer. In addition, individual experience is frequently weighted by results of negotiation with revenue agents. The Treasury survey in 1959–1960 of tax depreciation rates in use by large corporations for property acquired after 1953 disclosed variances among taxpayers in the same industry. For example, the responses of two major companies who manufacture electronics equipment indicated that one company was basing its depreciation deductions on an average useful life of 6 years, while the other was claiming an average life of 11 years on its tax returns. Such differences in useful lives are far larger than could be accounted for by differences in asset mixes; over time, varied settlements in different IRS field offices, involving concessions on various issues, and the application of ad hoc standards, had produced a bewildering array of useful lives. An industry as a whole is much less sensitive to such events, and consequently, industry experience is more reliable than individual experience.

Thus, ADR represents the Treasury Department's conclusion that a reasonable allowance for depreciation (including a reasonable allowance for obsolescence) need not necessarily be based on the taxpayer's individualized experience but may be based on industry-wide experience. The past experience of the particular taxpayer is not a better guide to the future period of productivity of assets newly being acquired than the experience in the taxpayer's industry as a whole. The taxpayer's own past experience may well have been affected by a variety of abnormalities—difficulties in obtaining financing, labor difficulties, a period of depression in the taxpayer's business, or other factors. ADR recognizes that neither the reserve ratio test nor any other objective rule is an adequate guide to depreciation deductions, and that resort to a myriad of individualized facts and circumstances is simply administratively unworkable, given the number of potential disputes that would arise.

The commitment to use industry experience makes appropriate a range of allowable lives which includes the experience, in general, of those taxpayers in the industry who have shorter replacement cycles. This will prevent competitive inequities, and reflects the likelihood that taxpayers will tend toward use of the most efficient production processes and thus the most efficient turnover of their capital assets. Allowance of shorter lives is also necessary in order to avoid having a large percentage of taxpayers continually seeking to establish that their own individualized prior experience, based on a mass of historical data from which they may make selections, justifies a shorter tax life. The burden of additional controversies that would result is manifest. Accordingly, ADR permits use of any life 20 percent shorter to 20 percent longer than the guideline class lives.

The ADR system will largely end the bulk of disputes in the depreciation and repair and maintenance categories and will enable the Internal Revenue Service to use its limited audit personnel for more intensive audit of other issues, such as tax fraud, for which standardized treatment is not appropriate.

At the same time, the ADR system establishes a comprehensive system of depreciation accounting which permits the retrieval of annual, systematic, nationwide data on asset acquisitions and retirements. Thus, the periods of actual use of assets, as well as equivalent data on repairs and maintenance expenditures, will be available for study. The key to this system is a requirement that closed-end vintage accounts be used so that asset acquisitions and retirements in a guideline class may be identified by years.

The ADR system also establishes a data analysis program in the Internal Revenue Service which will provide a basis for future changes in guideline classes, guideline lives, and repair allowances as dictated by actual industry experience; for the adoption of new guideline classes and lives; and for other monitoring of the effectiveness of the ADR system.

More explicitly, the ADR system requires detailed reporting by all taxpayers who elect to use it and establishes an Office of Industrial Economics in the Internal Revenue Service. This office is separate from offices directly concerned with taxpayer compliance. Taxpayers will be required to file schedules annually with their returns showing basis of assets, salvage value, and other data which will permit determination of retirements for each ADR class. The reporting requirements will not be burdensome to taxpayers; they call only for basic information essential in determing depreciation.

The functions of the new Office of Industrial Economics will include:

(1) Collection of data, maintenance of information files, and regular publication of analyses. Data pertaining to industrial asset management practices will be derived from tax returns, other government sources of information, published materials in the private sector, and special surveys by the Office of Industrial Economics.

(2) Receipt of petitions from taxpayer representatives seeking revisions in asset classifications or prescribed ranges; conduct of investigations needed to evaluate proposals to amend or revise asset classifications and ranges; and recommendations of changes that appear to be justified.

(3) Maintenance of direct liaison with the Bureau of the Census and the Office of Business Economics within the Department of Commerce for the purpose of enlarging the economic data base relating to capital stocks, obsolescence rates, and capital consumption.

Recognition of changes in conditions.—As stated by President Kennedy and Treasury Secretary Douglas Dillon in 1962, and as restated by President Nixon and Treasury Secretary David M. Kennedy in 1971, depreciation allowances must be periodically updated to reflect modern industrial practices. Despite the inadequacy of currently available data with regard to historical obsolescence and the impossibility of predicting future obsolescence with certainty, the Treasury Department is charged by the Internal Revenue Code with the responsibility for estimating obsolescence in order to permit reasonable depreciation allowances. Precise measurement of the rate of economic and technological obsolescence is, of course, not possible.[52] It appears, however, that technological changes and other events which have occurred since 1962 will have the effect of rendering machinery and equipment obsolete more rapidly; that is, the average period of economic useful life of assets is likely to continue to decline.

During the past half-dozen years, the United States has experienced a growing under-utilization of manufacturing capacity—even in times of full employment. This growth in excess capacity during periods of full employment suggests increasing obsolescence resulting from a high rate of investment which has enabled taxpayers to introduce new technology at rates faster than usual.

In previous periods of relatively full employment, such as 1950 to 1953 and 1965 to 1966, the ratio of manufacturing output to capacity was about 90 percent. Since 1968, however, there has been a dramatic increase in excess capacity as measured by business survey responses. The volume of excess capacity rose significantly during 1968–1969, years of full employment. In both years, U.S. businesses were producing an additional 4.5 percent of output a year while adding roughly 6.5 percent a year to capacity. When excess capacity is increasing at a time of full employment, increased obsolescence is suggested: new machines and equipment are producing at a greater rate and old machines are less utilized.

There is other evidence of technological change which suggests a decrease in the useful economic lives of assets and an increasing rate of obsolescence.[53] The dramatic shift to automation in recent years represents a marked change in production technology. This trend toward automation suggests a shortening in the periods of economic usefulness for equipment—even for the first wave of automated equipment such as computers. Other specific illustrations of the effects of technological change have been presented in the: Machine and tool industry,[54] mining industries,[55] railroad industry,[56] paper industry,[57] and public utilities.[58]

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[52] The lack of such information becomes apparent from a review of the methodology of the survey of depreciation practices which led to the 1962 depreciation revision. In establishing guideline lives in 1962, the Treasury Department relied primarily upon a survey of depreciation claimed on tax returns. Only in nine industry categories were engineering studies conducted and these studies proved inconclusive with respect to estimating historical obsolescence and were to a large part ignored in setting the present guideline lives. The determination of a single guideline life from such data necessitated a judgment based upon a variety of factors.

Unfortunately, when the guideline lives were set in 1962, no method for obtaining data with respect to actual retirements of assets by vintage was provided. The depreciation revision of 1962 did not specify any method of accounting for tax purposes which would produce such information. No limitation on the form of accounts was imposed; old assets were included in the system, and no requirement that taxpayers maintain records pertaining to acquisitions by year was included. Thus, no information with respect to the age of assets when retired from business use is currently available.

A new survey of taxpayers or collection of information from taxpayers to determine the useful lives currently being used for tax depreciation purposes would not be meaningful. Useful lives for each industry category will generally range from periods shorter than the guideline life to the guideline period. From about 1962 through 1970, the guideline lives have generally been accepted by the Internal Revenue Service without question, and it is unrealistic to believe that depreciation lives longer than the guideline period have been used to any significant extent. Some information could be collected to indicate roughly the current reserve ratios and thereby provide some information as to the amount of fully depreciated assets still in use. But since old assets are currently kept in the same accounts as new assets and records pertaining to acquisition and retirement by vintage have not previouly been required, such information would not be particularly meaningful in evaluating the adequacy of the present guideline lives. The ADR system provides for the first time for systematic periodic collection of information with respect to the age of business assets at the time of their retirement.

[53] See, e.g., "ADR Hearings" at 56–77 (testimony of Congressman John B. Anderson); and "Report of the President's Task Force on Business Taxation" at 11 (September 1970).

[54] "ADR Hearings" at 334 (testimony of Charles W. Stewart, discussing the impact of developments such as numerical control technology).

[55] Id. at 632 (testimony of John R. Greenlee, discussing the recent shifts to the use of pellet facilities).

[56] Id. at 561–63 (testimony of Frank E. Barnett, discussing the replacement of telegraph communications by dial-type telephone operations and the imminent replacement of microwave system by underground cable communications). See also, Id. at 579 (testimony of Paul M. Zeis, discussing obsolescence in railroad rolling stock caused by special, equipment-tailored cars built for individual shippers).

[57] Id. at 759, 766–67 (statement of Thomas R. Long, discussing the trend toward large, single in-line processing units and the use of diffuser washers in the last 10 years as a control device in connection with the use of lasers to control knives and trimming).

[58] Id. at 647 (testimony of John C. Dunn); Id. at 665–67 (testimony of Gordon Corey, discussing the recent trend toward nuclear power); Id. at 498, 500 (testimony of James H. Maloon, discussing the development of liquefied natural gas).

Federal and State pollution control legislation and regulations enacted since 1962 will also require the replacement of significant amounts of equipment. Moreover, the trend toward even stricter environmental control standards is likely to produce additional legislation and regulations which will result in further obsolescence of plant and equipment.[59]

In 1962, the Treasury Department recognized that allowing depreciation based upon the guideline lives would not be sufficient to place American producers on a comparable basis with foreign competitors with respect to the tax treatment of capital investments. A substantial reduction in depreciation lives coupled with the investment tax credit was considered necessary to approach the goal at that time.[60]

Today, there is evidence that foreign producers in many industries have more modern facilities than their U.S. counterparts,[61] and that the force of international competition will necessarily result in an increasing rate of retirement of U.S. plant and equipment in favor of modernized facilities. This modernization is essential if American producers are to compete effectively with those of foreign nations. The United States has the lowest percentage of investment in productive facilities in relation to gross national product of any of the principal industrialized nations.[62]

Depreciation allowances for machinery and equipment in the United States have been far less than the comparable allowances for machinery and equipment in other industrialized nations. This is well documented in the "Report of the President's Task Force on Buisness Taxation," which unanimously concluded that this circumstance is a serious deterrent to the modernization of U.S. plan and equipment.[63] American industry is today faced with intense competition in many areas from modern, well-equipped foreign industrial plants. The ADR system is an essential step toward narrowing these competitive advantages enjoyed by foreign producers.[64]

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[59] See, e.g., "ADR Hearings" at 69–70 (testimony of Congressman John B. Anderson, discussing the general impact of national environmental policy to hasten the replacement of business assets); Id. at 117 (testimony of Clifford D. Siverd, discussing the effect of pollution control legislation on the chemical industry); Id. at 339 (testimony of Charles W. Stewart, discussing the impact of pollution control legislation on the types of furnaces used in the foundry business); Id. at 449 (testimony of Ward C. McCallister, discussing the effects of pollution control and Federal safety legislation on capital requirements of the gas industry); Id. at 505–06 (testimony of H. W. Close, discussing the expenditures required as a result of pollution control legislation in the textile industry); Id. at 618 (testimony of Fred W. Peel, discussing the impact of pollution control and mine safety legislation on obsolescence in the mining industry); Id. at 657, 659, 664 (testimony of Gordon Corey, discussing the shortening of useful lives in the electrical industry due to pollution control legislation); Id. at 680, 683 (testimony of Herbert Cohn, discussing the impact of pollution control legislation in the electric industry); Id. at 760 (testimony of Thomas R. Long, discussing the equipment changes in the paper industry for environmental improvements).

[60] Statement of Secretary Dillon, July 11, 1962. Secretary Dillon added:

"Depreciation has been a major problem of U.S. tax policy for decades. As a deduction used in determining the taxable income of a business, it directly affects the rate of recovery of invested capital. For that reason, it plays a vital role in business investment decisions—a major factor in determining a nation's rate of economic growth. Faster economic growth is essential if we are to reduce unemployment and provide jobs for the millions of workers coming into the labor force. Equally important, the investment level is closely related to productivity, hence, plays an important part in determining the competitive position of U.S. producers in world markets. We must be competitive if we are to reduce our balance-of-payments deficit and stem the drain on our gold stocks. Depreciation rates are, therefore, important not only to the welfare of business, but to the welfare of every American citizen."

The investment credit was terminated by the Tax Reform Act of 1969. See Internal Revenue Code of 1954, § 49, added by Public Law 91–172, § 703(a).

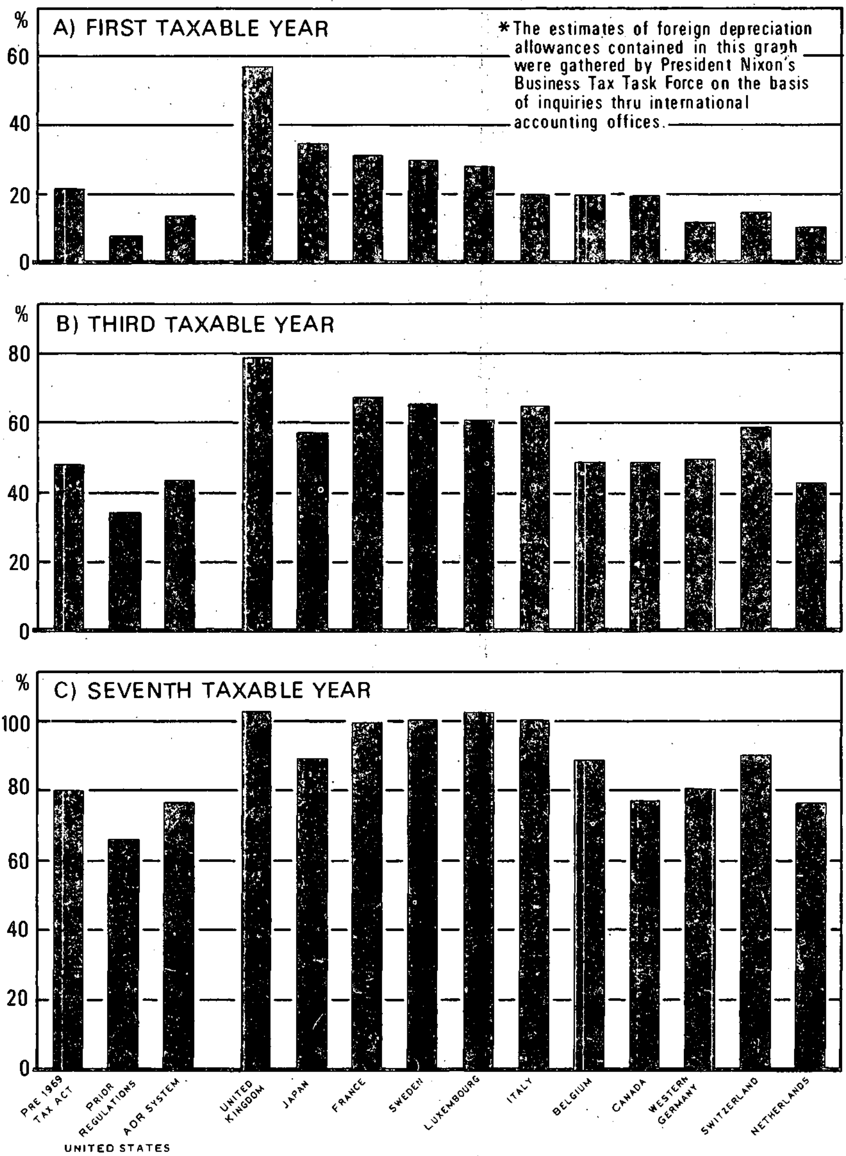
[61] "Report of the President's Task Force on Business Taxation" at 7–11 (Sept. 1970); "ADR Hearings" at 59, 62–63 (testimony of Congressman John B. Anderson); "ADR Hearings" at 33 (testimony of Senator Charles H. Percy).

[62] Organization for Economic Cooperation and Development, "The Growth of Output 1960–1980," at 46 (Dec. 1970).

[63] "Report of the President's Task Force on Business Taxation" at 10–11.

[64] The following chart indicates a comparison of cost recovery allowances in the United States prior to the 1969 Tax Reform Act, under the regulation in effect prior to ADR and under the ADR system with comparable allowances in 11 foreign nations.

AGGREGATE COST RECOVERIES ALLOWABLE FOR TAX PURPOSES IN THE UNITED STATES* AND IN ELEVEN FOREIGN COUNTRIES ON MACHINERY AND EQUIPMENT



It is apparent, therefore, that there have been major changes since 1962 which require updating of the guideline lives. In the absence of precise data as to increasing obsolescence, but concluding on balance that there has been or is likely to be a significant increase, Treasury has adopted the ADR system to permit taxpayers to use any life within a range 20 percent above to 20 percent below the guideline lives. As previously stated, the industry-wide guideline lives and classes will be refined from time to time in the future as regular, systematic data on replacement practices becomes available under the ADR system.

VI. Legal authority

Section 167 of the Internal Revenue Code provides for a "reasonable allowance" for depreciation including a reasonable allowance for obsolescence. Section 167 also provides for issuance by the Secretary of the Treasury of regulations with respect to the manner of computing the reasonable allowance. Section 7805(a) of the Internal Revenue Code expressly directs the Secretary of the Treasury to prescribe "all needful rules and regulations for the enforcement" of the Code. The ADR system embodies needful rules and regulations for the enforcement of the depreciation provisions.

Based on existing conditions previously described, the Treasury has exercised its discretion to determine that the concept of reasonable allowance is sufficiently broad for assets acquired in 1971 and subsequent years to permit a 20 percent range of tolerance above and below the guidelines which have been used and accepted since 1962.[65] These guideline periods and classes will be adjusted from time to time as data are collected which indicate the need for refinement and change.

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[65] Buildings, generally, and assets which are predominantly used outside the United States are not eligible for the ADR system. Reg. § 1.167(a)–(11(b)(2). The authority under §§ 167 and 7805 of the Internal Revenue Code is sufficiently general to permit the Treasury to exclude such assets from the ADR system. Moreover, § 167(d) of the Code specifically authorizes the Internal Revenue Service to enter into agreements with particular taxpayers with respect to depreciation of particular assets. See Reg. § 1.167(a)–11(g)(1).

Buildings are generally sold by taxpayers upon retirement. The rules for recapture of depreciation under section 1245 of the Code provide in general that gain on sales of personal property are taxed as ordinary income to the extent of all the depreciation taken on the property. Although opportunities for avoiding taxes as a result of accelerated depreciation for real estate were substantially reduced by the Tax Reform Act of 1969, the rules for recapture of depreciation as ordinary income upon the sale of buildings under section 1250 of the Code still permit a significant number of taxpayers who dispose of buildings prior to the expiration of their useful lives to depreciate below the anticipated sale value of the buildings and, upon sale, to treat a substantial portion of the excess of disposition proceeds over adjusted basis as capital gains. The added flexibility provided by the ADR system which permits taxpayers to select useful lives from within a range from 20 percent below to 20 percent above the guideline life would, in the case of buildings, increase opportunities for converting deductions from ordinary income into capital gains. In addition, such flexibility would increase the opportunity for generating "tax losses" in the early years of buildings' lives. See generally, H. Rept. No. 91–413, 91st Cong., 1st Sess. Part 1, 165–67 (1969); S. Rept. No. 91–552, 91st Cong., 1st Sess. 211–15 (1969).

Since buildings are generally sold upon retirement by the taxpayer, information made available through the ADR system as to retirements of assets to enable the Treasury to refine and update the estimations of useful lives will not be meaningful with respect to buildings. In addition, the administrative difficulties to be resolved by the ADR system are not present to the same extent in the case of buildings as with other business assets such as machinery and equipment.

Income from property which is predominantly used outside the United States is generally subject to income taxation in foreign countries. Foreign capital recovery systems are far more important in decisions to retire and invest in new assets, and thus in determining the general period such assets will be used, than the depreciation deductions allowed for Federal income tax purposes. The administrative problems are not present to the same extent in the case of foreign property. Other factors, such as the current trend in the United States toward stricter environmental control standards similarly do not apply with equal force to assets used in foreign countries. Industry experience in the United States is not so clearly a proper guide to the expected useful life of property use abroad where the mix of capital and labor as farctors of production may differ because of differing wage rates and capital costs. The information-gathering function of the ADR system is not served to the same extent in the case of property used abroad.

Morever, permitting the use of shortened depreciation lives for assets used abroad could produce adverse economic effects. For example, substantial increases in foreign investment might adversely affect the balance of payments. Additional investment abroad by U.S. companies or their foreign subsidiaries would not increase domestic employment to the same extent as a similar amount of domestic investment.

Although Treasury has concluded that the factors require the exclusion of buildings and property primarily used outside the United States from the ADR system, the reasons for rejecting the reserve ratio test as the sole method of determining useful lives apply with equal force to these assets. The reserve ratio test is a mechanical, backward looking mechanism which cannot take economic obsolescence into account. In addition, the reserve ratio test was designed primarily for multiple asset accounts composed of a wide variety of assets to measure the replacement practices of taxpayers: as a technical matter, its application to buildings often produces results which are not meaningful.

The ADR system is an appropriate exercise of the administrative responsibility delegated to the Treasury by the Congress.[66] The determination of a reasonable allowance for depreciation is by statute and longstanding practice the administrative responsibility of the Treasury Department.[67] The history of the depreciation provisions clearly reflects an administrative rather than a legislative pattern. In this regard, a report of the staff of the Joint Committee on Internal Revenue Taxation submitted to the Congress in 1960 noted:

"Consistently, the statute concerning depreciation has been general, not requiring either any certain method of accounting or uniformity in annual deductions, so long as the taxpayer followed a reasonably consistent plan in recovering the original cost or other basis of his property, less salvage value, free of tax. Thus, depreciation has an administrative rather than a legislative history in U.S. tax law.[68]

Prior to 1934, the application of the depreciation provisions was entirely determined by the Treasury Department. In 1934, Congress clearly recognized the authority of the Treasury Department to modify depreciation practices by administrative action having a major effect on business tax liabilities, in lieu of legislative action which would have increased depreciation periods by 25 percent. Treasury's administrative action had relative revenue consequences far greater than those attributable to the adoption of ADR. Again in 1954, Congress explicitly recognized the broad discretion of the Treasury Department in establishing a reasonable allowance for depreciation. Congress at that time acknowledged the authority of the Treasury Department to accept any lives adopted by taxpayers unless there was a clear and convincing basis for a change, and Congress again withheld taking legislative action because of the existence of this authority.

More specifically, in the course of adoption of the Internal Revenue Code of 1954, the Senate Finance Committee deleted a 10 percent proposed statutory

[66] Some written and oral comments received by the Treasury have suggested that promulgation of the ADR regulations would exceed the authority of the Treasury under the Internal Revenue Code. See, e.g., written comments on proposed ADR regulations submitted by Boris I. Bittker and Bernard Wolfman. See also, "ADR Hearings" at 264–310 (testimony of Bernard Wolfman); Id. at 398–414 (testimony of Frank L. Chamberlin, Jr.). It has also been suggested that even if promulgation of the ADR regulations is within the Treasury's authority under the Internal Revenue Code, it should not proceed administratively, but rather legislation should be requested. See, e.g., "ADR Hearings" at 138–39 (testimony of Congressman Henry S. Reuss). Others have suggested that the ADR regulations are a proper exercise of Treasury's authority. See, e.g., written comments on proposed ADR regulations submitted by Frederic W. Hickman, Covington & Burling, and Marmet & Webster: "ADR Hearings," at 310 (testimony of John L. Ellicott).

[67] A number of comments on the proposed ADR regulations suggested that the "Report of the President's Task Force on Business Taxation" indicated that a proposal such as the ADR system could not be adopted without legislation. On April 26, 1971, John H. Alexander, chairman of the task force, submitted a written comment to the Treasury addressed to this point, stating:

"It has come to my attention that in a number of submissions questioning the authority of the Treasury Department to promulgate regulations in the form proposed, reference is made to the recommendation of the President's Task Force on Business Taxation, of which I was Chairman, that the proposals of the Task Force relating to capital cost recovery of investment in machinery and equipment be implemented by legislation rather than by administrative action.

"The specific recommendations of the Task Force were summarized on pages 3 and 4 of its report . . . .

"With respect to the implementation of such recommendations the Report contained the following statement at page 29:

'We recommend that the proposals discussed above be implemented by appropriate amendments of the Internal Revenue Code. The proposals in section A [simplification of capital cost recovery] for substituting in the case of machinery and equipment a system of cost recovery allowances for the present depreciation system involve some matters that have been dealt with under the present system by administrative procedures and regulations rather than by changes in the statute. For example, the reserve ratio test was formally introduced in Revenue Procedure 62–21, and, although our proposal for elimination of the test could be effectuated by administrative action, we strongly urge amendment of the statute to this end. Moreover, since the shift from depreciation to cost recovery unrelated to the useful life concept does require amendment of the present law, we urge that all the matters covered in the recommendations which are related to such a shift be incorporated in the statute.'

"As appears from the foregoing, the Task Force took the position that it was the shift from depreciation to cost recovery unrelated to the useful life concept that required statutory amendment. The proposed regulations retain the useful life concept and the Task Force position as to the necessity for statutory action contains no suggestion that the Treasury Department lacks authority to modify the guideline lives or to eliminate the reserve ratio test or to adopt the other provision of the regulations proposed. Indeed, as to the reserve rato test, the Task Force statement quoted above clearly takes the position that such authority is in the Treasury Department."

[68] Staff of the Joint Committee on Internal Revenue Taxation, "Notes on Background of Existing Provisions of the Federal Income and Employment Tax Laws" 13 (August 25, 1960).

range of tolerance in depreciation lives which has been provided in the House bill, approved the concept of this range, but recognized the greater need for administrative flexibility. Thus, Congress did not provide for any changes in the 1954 Code with respect to the method for determining the estimated useful life of business assets. It is important to recognize the acceptance of the Treasury's authority by the Congress and the preference for administrative resolutions of depreciation problems inherent in this congressional action.

The 1962 action of the Treasury Department in adopting the guidelines, an action approved by Congress, is a clear precedent for the adoption of ADR by administrative action.[69] The adoption of guidelines is such a precedent because it too represented a decision to determine lives by reference to industry experience. This identity exists, notwithstanding the announcement at that time of the reserve ratio test, in view of the fact that the test was suspended for three years and, as a practical matter, has not had any substantial effect for 9 years because of its exceptions and transition rules and because of its general inapplicability for more than one full asset cycle.

The ADR system has been adopted by regulation, following publication of a notice of proposed rule making, receipt of written comments, and 3 days of public hearings; its adoption represents a far more formal step than the adoption of the guidelines which was accomplished by publishing a revenue procedure in the Internal Revenue Bulletin.

The wide administrative discretion in the depreciation area is consistent with other instances where broad administrative discretion has been exercised under the Internal Revenue Code, such as in the allowance of standard mileage allowances and sales tax deductions by reference to the experience of taxpayers generally.[70]

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[69] The guidelines received contemporaneous recognition by Congress in connection with the Revenue Act of 1962. See H. Rept. No. 1447, 87th Cong., 2d Sess. 8 (1962); S. Rept. No. 1881, 87th Cong., 2d Sess. 11 (1962).

[70] In the administration of the Internal Revenue Code, recourse has been made in several situations to uniform tables or formulas to determine the proper amount of certain deductions. Common examples of these are the tables included in the instructions to individual income tax return form 1040, which provide a basis for determining the amount of State or local sales tax and gasoline tax paid by an individual for purposes of the deduction allowed by § 164 of the Code.

Under § 162 of the Code, standard mileage rates for determining automobile expenses were prescribed in Revenue Procedure 70–25, 1970–2 C.B. 506. Similarly, Revenue Procedure 70–24, 1970–2 C.B. 505 prescribes the standard mileage rate for determining automobile expenses for purposes of the deductions allowed by § 170 and § 213 of the Code; and Revenue Procedure 71–2, 1971–1 I.R.B. 32 prescribes similar rules for purposes of the deduction allowed by § 217 of the Code.

In the situations described above, the Internal Revenue Service has prescribed rules for determining the proper amount of deductions in particular cases based on average experience applicable to all taxpayers. All of the statutes involved allow deductions only for amounts paid (or in some cases amounts paid or incurred) for particular expenses. The use by the Service of these means of approximating the proper deduction might be criticized on the ground that it departs from the theoretically exact amount paid or incurred by the taxpayer in a particular case. As an example, there may be very substantial differences in the operating expenses of different kinds of automobiles by different taxpayers, but Revenue Procedure 70–25 would allow a uniform rate per mile.

With respect to the breadth of the discretion of the Internal Revenue Service to prescribe uniform rules, § 167(a) is similar to § 166(c), which provides that in lieu of a deduction for specific debts that become wholly or partially worthless during the taxable year, there shall be allowed (in the discretion of the Secretary or his delegate) a deduction for a reasonable addition to a reserve for bad debts. The parenthetical language in § 166(c) refers to the Secretary or his delegate's discretion to refuse to allow a taxpayer to use the reserve method and not to the reasonableness of the deduction allowed. H. Rept. No. 350, 67th Cong., 1st Sess. at 11 (1921) stated:

"Under the present law worthless debts are deductible in full or not at all, but [the bill] would authorize the commissioner to permit a deduction for debts recoverable only in part, or in his discretion to recognize a reserve for bad debts—a method of providing for bad debts much less subject to abuse than the method of writing off bad debts required by the present law."

Section 1.166–4(b)(1) describes relevant factors for determining what constitutes a reasonable addition to a reserve for bad debts. Procedures for adopting a change to the reserve method of accounting for bad debts are described in Revenue Procedure 64–51, 1964–2 C.B. 1003, as modified by Revenue Ruling 65–92, 1965–1 C.B. 112, and as amplified by Revenue Procedure 70–15, 1970–1 C.B. 441.

Under the authority of § 166(c), the Internal Revenue Service provided by Revenue Ruling 68–630, 1968–2 C.B. 84, a uniform method for determining a reasonable allowance of deductions to commercial banks for additions to their reserve for bad debts. Revenue Ruling 68–630 has been superseded by the enactment of § 585 of the Code by the Tax Reform Act of 1969. The committee reports accompanying § 585 of the Code referred extensively to the administrative history of the allowance of bad debt reserve deductions to commercial banks. These reports evidenced an intent to reduce the allowance of deductions for bad debt reserves to commercial banks but raised no questions as to the validity of Rev. Rul. 68–630 or any prior rulings. H. Rept. No. 91–413, 91st Cong., 1st Sess. 120 (1969); and S. Rept. No. 91–552, 91st Cong., 1st Sess. 156 (1969).

Footnote continued on following page.

The very complexity of issues in the allowance of depreciation indicates the need for the wide discretion which Congress has given to the Treasury Department in this area.[71] More detailed legislation prescribing depreciation allowances for particular industries seems neither desirable nor practical. One need only reflect upon the difficulties involved in rigidly setting by legislation the various allowances for percentage depletion to foresee the problems if Congress were to attempt to establish useful lives for depreciation for particular industries.[72]

The reasons for abolishing the reserve ratio test, and for not seeking a substitute but looking instead to industry experience, have previously been documented. The ADR regulations do not eliminate the useful life concept; they merely provide a method of determining useful lives by reference to guideline class lives established on the basis of industry experience. These guideline class lives will be updated from time to time based on data collected through the ADR system. ADR provides a range within which a taxpayer may select a useful life appropriate to him. The lives adopted by the taxpayer from the asset depreciation

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See Reg. § 1.482–2(a) where the Treasury provided a 20-percent leeway in determining a reasonable interest rate on loans between affiliated taxpayers. These regulations provide that 5-percent interest will generally be considered a reasonable interest rate on such loans but that no adjustment will be made if interest is charged at the rate of at least 4 percent but not more than 6 percent. If a rate of less than 4 percent or more than 6 percent is charged, the rate will be set at 5 percent. See also, Reg. § 1.963–6(b)(4), which provides that "reasonable cause" for failure to receive a minimum distribution will exist if at least 80 percent of the amount of the required minimum distribution was paid.

[71] Cf., S. 1532, 92d Cong., 1st Sess. (introduced in connection with introduction of S. Res. 98, 92d Cong., 1st Sess. that ADR not be made effective) which provides that the depreciation deductions under § 167(a) shall be "based upon the estimated useful life to the taxpayer" of depreciable property. This bill gives no guidance as to the method of estimating useful life. Without further guidance, the Treasury would have broad discretion as under present law to administer such a provision. If, for example, the Internal Revenue Service were to apply its pre-1934 and 1954–1962 administrative practices and generally accept the taxpayer's "estimate" of useful life, this would not be inconsistent with the ADR approach. ADR provides additional guidance to the taxpayer by setting forth a range of useful lives within which the taxpayer's estimate will not be disturbed. In addition, ADR provides a comprehensive system of depreciation accounting and an administrative mechanism to insure that the ADR range provides a reasonable allowance. S. 1532 does not amend the operative language in § 167(a) which provides for a "reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)" of property.

[72] Secton 613 of the Internal Revenue Code allows a deduction based upon a specified percentage of the gross income attributable to the production of certain minerals. Although this is relatively simple in concept, even a cursory examination of the statutory provisions indicates clearly the problems Congress has encountered in applying that concept. There are, for example, seven rate categories applicable to various groups of minerals. However, within these categories it has been necessary to make numerous exceptions because the same mineral may fall into different rate categories. The different rates are usually expressed in terms of the use to which the mineral is put, and generally have been enacted in order to rectify inequitable competitive situations. As a consequence of these considerations, it has been necessary for Congress to amend these provisions in almost every Congress since percentage depletion was extended to all minerals in 1951.

An extreme example of the difficulty Congress has experienced in this area may be found in the history of the percentage depletion rate allowed to clay. Minerals in this general category were first made eligible for depletion in 1942, when Congress permitted "ball and sagger clay" a rate of 15 percent. This was accomplished in order to put that mineral on the same basis as coal, oil, fluorspar and other things which are given depletion allowances. The premise for this allowance was that the items manufactured from that mineral were useful to the war effort generally as well as in everyday life. In 1947 the list of clays eligible for depletion was expanded to include "china clay." In 1951 "brick and tile clay" was added but at a rate of only 5 percent, and "refractory clay" was added at the 15 percent rate.

The 1954 Code revised the percentage depletion rate structure generally in order to "clarify present law and to provide a grouping that is administratively more feasible and competitively more equitable." H. Rept. No. 1337, 83d Cong., 2d Sess. 57. The changes also made depletion at the rate of 15 percent available to all other minerals, thus including all the clays that had not previously been eligible for the deduction. In 1960 it was necessary to expand the provision describing brick and tile clay to include all clay "used or sold for use in the manufacture of building or paving brick, drainage and roofing tile, sewer pipes, flower pots and kindred products," in order to limit clays used for those purposes to the 5-percent rate rather than the 15-percent rate available for all other minerals. In 1966, this was further revised to remove "clay used or sold for use in the manufacture of sewer pipe or brick" or as "sintered or burned lightweight aggregates" from the 5-percent category and place them in a new category of 7½ percent. At the same time, a rate of 23 percent was made available for clay "to the extent that alumina or aluminum compounds are extracted therefrom." The general reduction of depletion rates contained in the Reform Act of 1969 reduced the 23 percent clay to 22 percent, the 15 percent clay was reduced to 14 percent, while the 7½ and 5 percent rates were left unchanged.

Notwithstanding the frequency of these changes, the administrative burden involved in applying them has not been significantly simplified. The multitude of different clays all sought the highest available rate, and numerous rulings were necessary. In addition, a number of court decisions were necessary in order to finally decide some of the issues. See, for example, *Pacific Clay Products* v. *United States*, 332 F. 2d 156 (9th Cir. 1964); Revenue Ruling 66–24, 1966–1 C.B. 157; Revenue Ruling 55–180, 1955–1 C.B. 358.

range period based on the guideline class life will constitute his useful life for all purposes of the Code.[73]

The ADR system is a comprehensive system for dealing with all elements of the determination of depreciation and the integrally related problem of repair and maintenance expenditures.[74] The adoption of such a system is within the Treasury Department's delegated authority under sections 167, 446, 451, 461, and 7805 of the Internal Revenue Code of 1954.[75]

VII. Economic effects and revenue considerations

Among its other effects, the ADR system will reduce the cost of capital or, equivalently, improve the after tax rate of return from investing. The ADR system is calculated to result in approximately a 4.4-percent reduction in capital cost for

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[73] See Reg. § 1.167(a)-11(g)(1), which provides that an election to use the ADR system is a useful life agreement under § 167(d) to treat the ADR period selected as the useful life of the property for all purposes under the Internal Revenue Code, including §§ 46, 47, 48, 57, 163(d), 167(c), 167(f)(2), 179, 312(m), 514(a) and 4940(c). Thus, for example, since § 167(c) requires a useful life of at least 3 years and the ADR period selected is treated as useful life for purposes of § 167(c), the taxpayer may use the declining-balance method or sum of the years-digits method of depreciation only if the ADR period selected is at least 3 years.

[74] The ADR system provides a comprehensive new treatment of the entire area of expenditures for the repair, maintenance, rehabilitation or improvement of property in Regs. § 1.167(a)-11(d)(2). Such expenditures are deductible under §§ 162 and 212, except to the extent they constitute capital expenditures under § 263. The expenses associated with preserving and keeping in efficient operating condition (repair and property maintenance) are deductible, and certain expenditures for permanent improvements or betterments made to increase the value (as distinguished from present value and upkeep) are capital expenditures, the same as the purchase of a new asset. In between these extremes fall many expenditures which are neither clearly deductible expenses nor capital improvements or betterments. Prior to ADR, resolution of this issue has been treated as a question of fact, involving subjective or negotiated judgments and arbitrary rules of thumb which vary from industry to industry, revenue agent to revenue agent, and audit to audit. This process has traditionally led to numerous and extended controversies with taxpayers, which is necessarily the case when a factual judgment is made with respect to each of hundreds, or even thousands, of such expenditures in any particular audit. This is not productive of fair and uniform treatment of taxpayers and has been a major administrative problem for the Internal Revenue Service for many years.

The annual repair allowance under the ADR system provides a simplified procedure for resolution of repair vs. capital issues. Expenditures for permanent improvements and betterments are excluded from the repair allowance and are capitalized in accordance with § 263. Regs. § 1.167(a)-11(d)(2). There remain only the clearly deductible repairs, plus those whose status is ambiguous—those which are neither clearly deductible nor clearly capital. Under ADR, these are deductible to the extent of a specified percentage repair allowance for each guideline class with the excess capitalized. Application of an audit rule of thumb of this type on a uniform basis to all taxpayers under ADR—as contrasted with the traditional applications of varied and inconsistent comparable audit tools to individual taxpayers—is a legal exercise of the Treasury's administrative authority under § 7805 to provide all needful rules and regulations for the enforcement of §§ 162, 212 and 263 and other provisions of the Internal Revenue Code.

The ADR repair allowance is clearly distinguished from the issue in *F.H.E. Oil Co.* v. *Commissioner,* 147 F.2d 1002 (5th Cir. 1945) in which the Treasury's regulations were proposed to be amended to permit the deduction of an amount which was clearly a capital expenditure. In that situation there was no factual issue of whether the expenditure was capital, and the proposed amendment to the regulations was not an exercise of statutory responsibility to provide a mechanism for resolving a factual issue. Moreover, the ADR repair allowances have been established based on Treasury's evaluation of statistical and other data reflecting industry experience with respect to such expenditures for asset guideline classes.

A comparable legal situation exists with respect to the treatment of salvage value adjustments in Treasury Regs. § 1.167(a)-11(d)(1). The amount of depreciation which may be deducted for an asset is limited to its cost minus its salvage value. Salvage value is a matter of estimation, involving a present projection of the value of the asset many years in the future. As in the case of estimations of useful life in the future there is no one amount which is necessarily the correct estimate. There is a range of tolerance within which any estimate will be reasonable. A reasonable salvage value is all that has ever been required. The ADR system provides a means for resolving these factual determinations and avoiding administrative problems associated with extended controversies with taxpayers over minimal adjustments in salvage value. The taxpayer's estimate will be accepted as reasonable if it is within a range of the salvage value estimated by the Internal Revenue Service. This range is equal to 10 percent of the cost of the assets in the vintage account. The ADR system does not disregard a percentage of salvage value as is done by statute under § 167(f). The 10-percent adjustment limitation relates only to the resolution of the factual question whether the salvage estimated by the taxpayer is reasonable. If not, the salvage will be adjusted, taking into account the full amount of the adjustment except for the portion expressly excluded under § 167(f).

An important aspect of the ADR system—insofar as related to useful life, repairs vs. capital and salvage value—is that all three are interrelated issues involving the resolution of factual questions. Because of their nature, all three must be resolved—whether by a revenue agent in a particular audit or by regulation—by the use of guidelines.

[75] The Supreme Court decisions in *Massey Motors, Inc.* v. *U.S.,* 364 U.S. 92 (1960) and *Hertz Corporation* v. *U.S.,* 364 U.S. 122 (1960), do not require a different result. These

Footnote continued on following page.

eligible assets. Improved after tax profit prospects will result in investments in productive machinery and equipment which would have been rejected in the absence of the ADR system. ADR will also increase liquidity and increase the certainty of business tax liabilities—effects which will also encourage investment.

Liberalized depreciation is a well-recognized means of providing a more favorable tax climate for private investment in production facilities. The 1962 guidelines were adopted in part: To stimuate economic recovery (unemployment was about 6½ percent in 1961 when liberalized depreciation was first considered), to increase the competitiveness of U.S. goods in the world markets, and to promote long run economic growth. Liberalized depreciation has been widely used in the postwar period by other industrialized nations with substantially beneficial effects on investment and economic growth. As the President's Task Force on Business Taxation pointed out, our own country's experience during the recent past following the adoption of depreciation guidelines and the investment credit suggests that such incentives significantly encourage the development and modernization of the productive capacity of a nation. The experience of most European countries which have used liberalized depreciation as an investment stimulus throughout the post-World War II period also supports this view.[76]

Treasury expects, therefore, that the ADR system will provide a stimulus to modernization and expansion of productive facilities in the United States. This in turn will increase employment and encourage a higher rate of economic activity. ADR will result in greater productivity, thus providing a basis for higher wage levels for U.S. workers in the future, reducing inflationary pressures with consequent benefits to consumers, and making U.S. industry generally more competitive in world markets.

These general effects may be evaluated with reference to the revenue loss from adoption of ADR and the "feedback" effects on the economy. Without giving effect to any such feedback, the ADR system is estimated to result in a revenue loss of $2.8 billion for the calendar year 1971; the average revenue loss before feedback over the 10-year period ending December 31, 1980, will be $3.9 billion per year. The estimated 1971 pre-feedback loss constitutes 5.8 percent of business tax liabilities, which may be compared to a revenue increase of 11 percent estimated for the 1934 administrative action of the Treasury Department and a revenue loss of 5.5 percent estimated for the 1962 Guidelines. In this latter connection, it should be noted that prior to the 1962 depreciation revision, President Kennedy indicated that revenue considerations in the context of then-present

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cases hold that portions of the regulations dealing with useful life were valid. These regulations provide as follows:

§ 1.167(a)—1. Depreciation in general.

(a) *Reasonable allowance.*—. . . The allowance is that amount which should be set aside for the taxable year in accordance with a reasonably consistent plan (not necessarily at a uniform rate), so that the aggregate of the amounts set aside, plus the salvage value, will, at the end of the estimated useful life of the depreciable property, equal the cost or other basis of the property as provided in section 167(g) and § 1.167(g)–1. . . .

(b) *Useful life.*—For the purpose of section 167 the estimated useful life of an asset is not necessarily the useful life inherent in the asset but is the period over which the asset may reasonably be expected to be useful to the taxpayer in his trade or business or in the production of his income.

The substance of clause (a) has been in the regulations since 1919, and clause (b) was added to the regulations in 1956.

Massey involved taxable years to which the Internal Revenue Code of 1939 was applicable and considered whether the taxpayer could estimate a theoretical salvage value at the end of the physical lives of cars used in its trade or business and calculate depreciation on that basis or was required to refer to its own experience in determining probable salvage value and thereby the appropriate allowance for depreciation. The Supreme Court sustained the Government's argument that salvage value must be determined as of the end of the useful life to the taxpayer in his trade or business.

The decision of the Supreme Court in *Hertz* involved taxable years to which the Internal Revenue Code of 1954 was applicable and considered whether the definition of "useful life" contained in section 1.167(a)–1(b) was valid insofar as it affected the taxpayer's eligibility to elect an accelerated method of depreciation under section 167(b). The Supreme Court sustained the validity of the regulatory definition. The Court also held that property may not be depreciated below a reasonable salvage value even though a declining balance method is used.

Neither of these cases held that the regulations in force at that time constituted the only possible definition of useful life; in neither *Massey* nor *Hertz* was there any determination that it was inappropriate to determine useful lives on the basis of industry-wide experience. The holdngs of *Massey* and *Hertz* are specifically preserved in the ADR regulations. See Reg. §§ 1.167(a)–11(d)(1) and (c)(1)(i)(*a*).

[76] "Report of the President's Task Force on Business Taxation" at 10 (Sept. 1970).

budget considerations were the only limit on liberalizing depreciation allowances.[77]

These estimated revenue losses represent the amounts which would result from adoption of the ADR system if the basic levels of investment and income remain unchanged. However, as previously indicated, there will be favorable changes in investment and income from adoption of ADR, and the net revenue impact must be evaluated in the light of these feedback effects. Such effects were recognized by President Kennedy when the 1962 action was taken. President Nixon has anticipated similar benefits to the economy from the adoption of ADP.[78]

Estimates of the feedback effect as a result of adoption of the ADR system vary among economists. Some experts hold the view that there will be no revenue feedback from the ADR system.[79] One economist has calculated that the revenue feedback will be sufficient to ensure that the net result of the ADR system will be a net revenue gain by 1973, growing to about $2 billion in 1974.[80] The response of investment levels to improved after tax rates of return is certainly not clear; estimates in economic literature vary from an estimate that the 4.4-percent reduction in capital cost will in the long run increase investment by 4.4 percent, to an estimate that the increase will be only 1 percent.

Treasury studies suggest that as a result of its effects on capital cost alone, ADR will increase investment at least 2.5 percent above the amount that otherwise would be invested in qualified property.

Thus, in the several years immediately after adoption of ADR, the Treasury estimate suggests that business would want a capital stock of qualified property which is 2.5 percent higher. This means that not only would new investment be higher by this amount, but also there would be some catching up because in the light of the current capital cost, the existing stock of equipment should be too low. A rough estimate of this catching up process would suggest that over the first several years after adoption of ADR new investment will be higher by about 5 percent of what otherwise would have been invested in qualified property.

Without adoption of ADR, investment in qualified property would be about $80 billion a year. The analysis above suggests an increase in investment of about $4 billion a year. This will be lower in the first year and higher in the second, third, and following years. "Multiplier" effects representing the increased income and spending generated by an initial impulse of expenditure might well build the aggregate levels of response to higher figures.

As previously indicated, the foregoing analysis is entirely in terms of increased investment levels resulting from an increased after tax rate of return. There are related considerations, however, which also have a bearing on investment levels and which will be affected by ADR. ADR serves to increase cash flow or liquidity, providing an internal source of capital funds and thereby reducing dependence on borrowing. To the extent that investment is deterred by reluctance to borrow, or by capital market imperfections, ADR will raise investment levels. The availability or shorter tax lives, the increased business certainty that specified tax lives once adopted may be used without reversal, and the assurances of stability in the determination of tax liabilities from other features of the ADR system—the treatment of repair and maintenance expenditures, salvage value, and retirements—all contribute in some measure to the stimulative effect in the investment equation.

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[77] In this regard President Kennedy stated:

"I recognize that many of you would like, as I would, to have far more rapid depreciation schedules. I can assure you that we are limited only by the fact, which you must recognize, that these depreciation changes will, in their early years, mean a loss of governmental revenues. If we wish to bring our budget as closely as possible to balance as far as the economy permits, we do not feel able to relinquish at this time these sources of revenue in toto. But we should look ahead to the maximum extent possible, as we have already done in textiles, and as we are now examining in steel, and we are quite conscious of the competitive advantages which rapid depreciation gives to the Western European manufacturers. We are looking ahead now to make these depreciation schedules more realistic."

Address by the President before the United States Chamber of Commerce, April 30, 1962 "Public Papers of the President" (1962) 345, 347.

[78] When he announced the ADR proposal, President Nixon stated:

"I want to emphasize that these short-run revenue reductions announced today are not so large as to prevent us from maintaining balance, now and in fiscal year 1972, between budget spending and the revenues that would be generated in a full employment economy. Most importantly, they can be expected to have a substantial "feedback" effect. Past experience demonstrates that depreciation liberalization will stimulate the pace of spending on new plant and equipment, which has been levelling off, and thus create jobs. As a result, Federal tax collections in the long run will increase. The estimates of revenue loss may, therefore, be regarded as maximum estimates.

Statement of the President, January 11, 1971, at 1–2.

[79] See, e.g., "ADR Hearings" at 158–59, 161 (testimony of Robert Eisner).

[80] "ADR Hearings" at 173 (testimony of Dale W. Jorgenson).

ADR is being adopted at an appropriate time; sufficient supply resources exist and an accommodating monetary policy is in effect. Thus, the increased investment will be converted to increased GNP, increased employment, and higher tax revenues. The result of ADR in hastening the return to full employment will be that in this process, annual tax liabilities will rise because of the higher GNP (multiplier effects). While it is true that almost any tax cut undertaken in a period of unemployment will generate some feedback effects, the ADR change is unique in that: (1) It will generate immediate demands for particular resources—those engaged in producing capital goods—that would otherwise not be utilized; and (2) it will provide additional machinery and equipment which will increase productivity and efficiency.

Questions have been raised whether the adoption of ADR at this time will have any effect in view of the fact that we are going through an economic readjustment and excess capacity already exists. It has been suggested that businesses have all the capital they need for the present condition of markets. This criticism does not stand up under analysis.

Much of the suggested excess capacity represents overage, obsolete facilities in the United States. This kind of excess capacity does not impede new investment if funds are available and if the after tax rate of return on such investment is improved. More importantly, surveys of business plans for investment in plant and equipment, taken before the ADR announcement, indicated that businessmen already considered about $83 billion of investment to afford sufficiently good profit prospects to be worth undertaking. Clearly, there is implicit in this figure a number of projects which, prior to the adoption of ADR, were just below the margin of profitability. The increased rate of return implicit in the introduction of ADR will convert nearly profitable projects into profitable ones. It is the exploitation of these previously near-profitable projects which most clearly serves to raise investment expenditures.

If depreciation is to be liberalized, the best time to do it is in a period of some economic slack, when resources are available to meet the increased investment demand. Increased investment in modern plant and equipment will, once new facilities are in operation, increase productivity and reduce inflationary pressures. This time is especially propitious for the introduction of the ADR system. Unemployment is still substantial; inflationary pressure has been reduced; and any additional spending generated by the ADR system will speed economic growth.

Conditions in the capital goods industries are especially favorable. Spending for capital goods has slowed greatly, and the industry is characterized by unemployed resources. The machine tool industry is operating at particularly low rates. Thus, as business firms proceed to increase their capital stock, there will be no need to bid resources away from other uses; the capital goods industry will be able to supply the additional capital required by reemploying currently unused resources. As a consequence, employment in the capital goods industry is likely to be affected directly, quickly, and favorably.

Moreover, the rate at which new inventive ideas and technological advances are put in use depends in part on the stimuli of producers' demands for better, more efficient machinery. ADR, in stimulating investment, will speed the process by which the newest technology is incorporated into productive facilities. This means both a more modern and efficient capital stock and a healthier state of the technology industries, which thrive on vigorous, competitive capital goods markets.

In the long run, the increased stock of business capital associated with more equipment investment increases productivity and GNP. The essence of the long run adjustment is "capital-deepening investment"—an increase in the ratio of capital to output—which is the key to higher productivity, greater output per capita, and higher living standards.

The modern economy depends heavily on an expansion of its productive facilities for continuing healthy economic growth. To achieve real growth as distinguished from mere replacement of plant and equipment, expenditures on new plant and equipment must exceed the erosion, attrition, and obsolescence of the existing stock of productive facilities. It is only the net excess of the gross investment over the wear and tear and deterioration that constitutes net accretion to our business capital stock. ADR will serve to increase the extent of this net accretion.

With a growing population and heavier demands on our output to deal with the variety of problems related to the environment, housing, health, and the quality of our national life in general, we need continuing growth in our productive capacity.[81] Liberalized depreciation to encourage and stimulate investment is clearly consistent with present economic goals.[82] Removal of present unrealistic restraints on capital investment, and investment of a greater portion of our current resources in productive capacity for the future, will be of long run and lasting benefit to the United States.

Conclusion

The Treasury Department expects the promulgation of the ADR system to produce the following results:

(1) The uncertainty and complexity of the application of the depreciation provisions of the Internal Revenue Code will be significantly reduced and substantial administrative benefits will be achieved;

(2) The establishment of the Office of Industrial Economics in conjunction with the ADR system will, for the first time, permit useful lives for each asset class to be as current and as accurate a reflection of a reasonable allowance as possible, based upon a broad spectrum of up-to-date information reflecting both the trend of past experience and what may be anticipated for the shortrun future;

(3) Increased investment resulting from ADR will produce economic growth which will increase our gross national product and reduce unemployment;

(4) Additional investment in more modern productive equipment stimulated by ADR will increase productivity and dampen inflation; and

(5) The competitive position of American producers in world markets will be greatly strengthened.

Exhibit 31.—Other Treasury testimony published in hearings before congressional committees, July 1, 1970–June 30, 1971

Secretary Connally

Statement on revenue estimates, before the House Committee on Appropriations, February 24, 1971.

Statement on the approach of the administration toward economic problems, before the Joint Economic Committee, February 26, 1971.

Secretary Kennedy

Statement on H.R. 17463, a bill to provide a comprehensive system of controls over narcotics, marihuana, and dangerous drugs, before the House Committee on Ways and Means, July 20, 1970.

Under Secretary Walker

Statement on the administration's Higher Education Opportunity Act of 1970, before the Subcommittee on Education of the Committee on Labor and Public Welfare, August 12, 1970.

Assistant Secretary Cohen

Statement on a proposed estate tax convention with the Netherlands and with Trinidad and Tobago, Finland, and Belgium, before the Senate Foreign Relations Committee, October 6, 1970.

Tax Legislative Counsel Chapoton

Statement on the excise tax on sugar, before the House Agriculture Committee, May 6, 1971.

Tax Legislative Counsel Whitaker

Statement on the need for additional legislation to require insurance companies and others to file information returns with the Internal Revenue Service with respect to payments made to doctors and others who provide health care, before the Senate Finance Committee, September 21, 1970.

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[81] See statement of Paul W. McCracken, Chairman of the President's Council of Economic Advisers, January 11, 1971, where Mr. McCracken stated:

"It seems to me . . . the major significance of these moves is to be found in the fact that in the short run they will increase both the means and the incentives for capital expenditures of businesses. They will mean roughly a percentage point increase in rate of return although that will vary, depending on the situation, and of course the cash flow itself will thus be augmented.

"I think for the longer run, however, this change may have even greater significance What these are going to do is to make for a more competitive and resilient and productive economy. They will increase the equilibrium amount of investment which it is appropriate for any company to make, thereby enhancing the productivity of labor and other productive resources. This is going to be very important in the period ahead, both because of the heavy demands on our productive facilities—they are going to be coming with new uses such as environment and so forth—but also because of the importance of our maintaining and strengthening our competitive position in the international markets."

[82] See statement of the President, January 11, 1971.

Law Enforcement Developments

Exhibit 32.—Statement of Assistant Secretary Rossides, July 15, 1970, before the Permanent Subcommittee on Investigations of the Senate Government Operations Committee

I am very pleased to be here this morning to report to you on behalf of the Department of the Treasury on the results of our recent survey of the incidents of terrorist acts of violence by bombing in the United States.

You will recall, Mr. Chairman, in your letter to Secretary Kennedy of April 21, 1970, you asked the assistance of the Treasury, specifically of our Alcohol, Tobacco and Firearms Division, in surveying the incidents of bombing in the United States occurring from the period of January 1, 1969, to April 15, 1970, and that the survey be broken down in detail, State by State. In your letter you mentioned to Secretary Kennedy that you believed the results of such a survey would be likely to "graphically reveal to the Congress and the American people the scope and threat of these terrorist acts of violence and anarchy."

Mr. Chairman, the results of the survey by Treasury's Alcohol, Tobacco and Firearms Division of the Internal Revenue Service have been posted to a chart which we have with us today for the assistance of the committee, and I shall refer to it from time to time during my remarks.

It should be understood that the survey by the Treasury was made by compiling submissions which were solicited from State and local law enforcement agencies on a regional basis. As we were not able to contact every law enforcement agency in the country, and some contacted have not yet responded, the figures are, to some extent, incomplete and may contain a few inconsistencies.

We were requested by your committee to limit the time period from January 1, 1969, through April 15, 1970. In the southern district of California and the State of Colorado, however, we were unable to obtain such a breakdown and, as a result, those figures include the year 1968 as well as 1969 and the first 3 months of 1970.

Another caveat to be borne in mind is in the area of attribution. The attribution figures submitted to us contained no breakdown as to what proportion of the figures applied to actual bombings as distinguished from attempted bombings or bombing threats.

In spite of the foregoing cautions, Mr. Chairman, we do believe that the figures will be of assistance to the committee and the attribution figures clearly establish certain trends of significance.

And we believe, Mr. Chairman, in reviewing the results of Treasury's survey, that the prediction in your letter to Secretary Kennedy seems quite accurate: The figures do graphically reveal that terrorist acts of violence and anarchy by bombing have reached menacing proportions in our country.

From January 1969, to April of this year—a scant 15-month period—this country suffered a total of 4,330 bombings, an additional 1,475 attempted bombings, and a reported 35,129 threatened bombing.

Of the 4,330 actual bombings, 3,355 were incendiary in nature, and 975 were explosive. From these figures, Mr. Chairman, it is clear that the incendiary bomb, the molotov cocktail and the like have been chosen three to one over explosives by the terrorists.

In our judgment, however, Mr. Chairman, the incendiary bomb cannot be compared on an equal basis with the high explosive bomb. When an incendiary such as a molotov cocktail explodes, there is usually ample time to evacuate the premises and often sufficient time for the fire department to extinguish the blaze and limit the damage done. When a high explosive bomb is detonated, however, it is all over within seconds. Little can be done by the authorities to reduce casualties other than to knock down remaining walls which threaten to topple onto passersby in the streets. I think we can all agree that the explosive bomb presents a greater hazard to the public and is capable of inducing greater terror and consternation among our people than the ordinary incendiary bomb.

Further bringing home the seriousness of the situation, Mr. Chairman, is the fact that the Treasury survey reveals that in the reporting period bombings in America were responsible for the deaths of 43 people and $21.8 million of property damage.

Mr. Chairman, the chart we have here gives individual totals for every State in the Union, with the exception of Hawaii, which was not included in the survey. I will not take the committee's time now to repeat each statistic, but a reproduction of the chart is included as an appendix to this statement, and the figures would be available to all members who may, understandably, be particularly interested in the result of the survey as it pertains to their home States.

I would like to turn now to the attribution figures we have collected. First, I should point out that these figures represent the best estimate of police sources from around the country and can best be expressed on a percentage basis.

The total number of incidents of bombings, attempts, and threats reported was 40,934. Attribution can be estimated in only 36 percent of this total. Stated another way, 64 percent of the total are of unknown attribution.

Of the 36 percent in which there is an estimate of attribution, 56 percent are attributed to campus disturbances and student unrest. Nineteen percent are attributed to black extremists, and 14 percent are attributed to white extremists. Eight percent are attributed to activities in aid of criminal pursuits, such as extortion, robbery and insurance fraud. Only 2 percent are attributed to labor disputes and 1 percent to religious difficulties.

When we use the term black extremists and white extremists, Mr. Chairman, we means those of both the left and the right. Similarly, when we speak of student and campus unrest, we include the activities of campus "hangers-on"—that is, those nonstudents, usually college or graduate level dropouts—who continue extracurricular activities on or about one or more campuses.

Mr. Chairman, we believe that the Treasury survey does make certain things quite clear. While the weapon of choice of the bombers is overwhelmingly the incendiary, a significant amount of explosive materials is used. I think it fair to say, Mr. Chairman, that anyone who can synthesize LSD, for example, would have no difficulty at all in formulating explosive materials or constructing an explosive device.

We in the Treasury are aware of the great concern about this situation among the members of this subcommittee and this administration shares your concern. This matter has been the subject of intensive study by this administration since the submission of S. 3650 in March 1970. A White House task force addressing itself to this problem has consisted of representatives of the Department of the Interior, the Department of Justice, the Department of the Treasury, the Department of Transportation, the Department of Agriculture, the Deparment of Commerce, and the Office of Management and Budget. This task force has had the benefit of consultations with the explosives industry. It is the purpose of the task force to develop an administration bill which will be outlined by the Department of the Interior in testimony before Subcommittee No. 5 of the House Committee on the Judiciary next week.

As the committee is aware, there are already a great many State laws with respect to explosive and flammable materials. Most of them relate to questions of safety in storage and handling. The Department of Transportation by statute controls the interstate transportation of explosive materials, and the Department of the Treasury is responsible for the administration of the Gun Control Act of 1968 which, among other things, regulates such "destructive devices" as any explosive, incendiary, or poison gas bomb, or grenade; rockets having a propellant charge of more than 4 ounces; missiles having an explosive or incendiary charge of more than one-quarter of an ounce; mines; or devices similar to any of the foregoing.

The Treasury also administers certain provisions of the Mutual Security Act of 1954 which deal, among other things, with military explosives, and the Department of the Interior through its Bureau of Mines also has certain statutory authority with respect to explosives, such as regulating the use of exposives in the mining industry.

As I understand that Assistant Attorney General Wilson, who is scheduled to appear before this committee, will discuss the existing body of law on explosives, I shall not go into the matter further at this time.

As I know this committee is also aware, explosives play a vital role in the construction, mining and agricultural industries in the United States. In addition, as smokeless propellants are employed in small arms ammunition and black powder is employed in small arms designed for its use, there is extensive use of these two items by millions of our citizens for lawful sporting purposes. Small arms ammunition, as you know, is also covered by the Gun Control Act of 1968.

There would seem to be, Mr. Chairman, a need to upgrade the security with which the most dangerous explosives, such as the dynamites, are stored, in order to retard theft. It would also be helpful for enforcement agencies to have access to records of the sale, at least, of commercial high explosives. However, we are aware from our work with the administration task force that there are many technical problems which must be taken into consideration in deciding what additional legislation is necessary.

We hope, Mr. Chairman, that the survey we have provided today will prove to be a helpful addition to the body of knowledge under study by the administration and by this committee.

Recap of bombing statistics—Period of January 1, 1969 through April 15, 1970

[Statistics supplied by State and local law enforcement agencies]

Regions	Explosive Bombings	Incendiary Bombings	Total Bombings	Attempted Bombings	Bombing threats	Property Damage (in M dollars)	Personal injury	Deaths
Western region:								
Alaska	1	0	1	1	41	153	0	0
Arizona	3	2	5	15	178	—	0	0
California (less Southern Judicial District)	109	358	467	303	2,544	2432	1	1
Idaho	0	0	0	0	0	0	0	0
Montana	8	3	11	3	71	82	1	1
Nevada	5	28	33	5	176	25	0	0
Oregon	18	78	96	16	382	144	2	0
Washington	90	80	170	27	452	442	3	5
Southern Judicial District of California [1]	76	924	1,000	—	2,880	—	5	1
Utah	1	1	2	1	79	1	0	0
Grand total	76 235	924 550	1,000 785	0 371	2,959 3,844	1 3,278	5 7	1 7
Southwest region:								
Arkansas	0	66	66	6	62	66	0	0
Colorado [1]	97	167	264	27	486	707	2	0
Kansas	12	14	26	3	293	40	0	0
Louisiana	42	19	61	67	1,367	538	0	0
New Mexico	5	5	10	9	24	365	0	0
Oklahoma	10	9	19	3	232	60	1	0
Texas	40	44	84	43	861	739	3	5
Wyoming	4	0	4	1	16	1	0	0
Grand total	97 113	167 157	264 270	27 132	486 2,855	707 2,809	2 4	0 5
Southeast region:								
Alabama	5	83	88	3	549	38	0	0
Florida	30	194	224	5	987	221	2	2
Georgia	9	1	10	4	235	20	1	1
Mississippi	13	12	25	13	159	28	0	0
North Carolina	27	130	157	72	941	2,155	2	0
South Carolina	0	0	0	1	23	0	0	0
Tennessee	9	17	26	11	434	552	0	0
Grand total	93	437	530	109	3,328	3,014	5	3

Midwest region:																
Illinois		29		626		655		32		721		14		0		0
Iowa		75		105		180		174		375		1,500		0		0
Minnesota		3		0		3		0		105		7		0		0
Missouri		38		103		141		8		640		75		11		0
Nebraska		16		43		59		59		211		315		2		0
North Dakota		0		0		0		0		6		0		0		0
South Dakota		1		0		1		0		14		0		0		0
Wisconsin		2		10		12		0		260		1		0		0
Grand total		164		887		1,051		273		2,332		1,912		13		0
Central region:																
Indiana		10		76		86		11		625		643		0		0
Kentucky		57		25		82		10		397		948		4		0
Michigan		27		356		383		95		2,492		355		165		7
Ohio [2]		28		105		133		62		1,767		1,163		2		1
West Virginia		2		10		12		5		109		35		1		0
Grand total		124		572		696		183		5,390		3,144		172		8
Mid-Atlantic region:																
Delaware		1		2		3		2		20		255		1		0
Maryland		4		12		16		2		240		43		0		2
New Jersey		16		39		55		20		803		890		2		0
Pennsylvania		41		226		267		81		1,119		3,192		15		5
Virginia (District of Columbia)		6		90		96		12		440		146		0		0
Grand total		68		369		437		117		2,622		4,526		18		7
North Atlantic region																
Connecticut		11		39		50		30		1,267		1,565		23		0
Maine		5		7		12		0		136		16		0		1
Massachusetts		31		55		86		80		2,941		262		1		0
New Hampshire		6		0		6		1		181		1		0		1
New York		121		177		298		163		9,412		2,000		106		8
Rhode Island		4		105		109		16		668		311		35		0
Vermont		0		0		0		0		153		0		0		0
Grand total		178		383		561		290		14,758		4,155		165		10
National total	173	975	1,091	3,355	1,264	4,330	27	1,475	3,445	35,129	708	21,838	7	384	1	40

[1] Figures supplied by police officials in the area making up the Southern Federal Judicial District of California and Colorado were for the years 1968, 1969, and 3 months of 1970. They cannot be broken down by year and are not included in the grand total for the western region, southwest region, or the national total.

[2] Not included in the total of 133 bombings are 67 bombings which data from respective police agencies did not identify as either explosive or incendiary in nature. As a result total bombings for Ohio are actually 200.

Exhibit 33.—Remarks of Assistant Secretary Rossides, December 23, 1970, before the first graduating class of the Treasury Air Security Officer School, Washington, D.C., on President Nixon's anti-air-piracy program

On September 11 of this year President Nixon, acting promptly to deal with the skyjacking crisis, stated:

"Piracy is not a new challenge for the community of nations. Most countries, including the United States, found effective means of dealing with piracy on the high seas a century and a half ago. We can—and we will—deal effectively with piracy in the skies today."

The President, in that historic message, set forth a comprehensive action program which galvanized the Federal Government and brought leadership to the efforts of the world community to cope with air piracy. The President's program received strong bipartisan congressional support and was widely commended in the national and international press.

The three basic parts of that program are: (1) The use of diplomacy to secure worldwide acceptance of the multilateral convention insuring the extradition or punishment of hijackers and to seek joint action to suspend airline services with those countries which refuse to punish or extradite hijackers involved in international blackmail; (2) an intensified predeparture inspection to prevent potential hijackers from boarding aircraft; and (3) armed Government guards aboard U.S. commercial airlines to thwart an actual hijack attempt.

The President's program helped substantially to defuse the crisis and obtain the release of the American and other passengers held hostage. Since his announcement air hijackings have been reduced dramatically. The concrete evidence of the past months demonstrates the wisdom and success of the President's program.

Let me hasten to add that this does not mean we will not have hijackings in the future. It does mean we have significantly reduced the probability of a successful hijacking. Up until the President's message in September there had been, in 1970, 43 hijacked planes. Since then there have been a total of four hijackings of U.S. commercial aircraft, all to Cuba, all returned safely—but there have been none of aircraft covered by predeparture inspections or air guards. In addition, the President's program has certainly deterred other potential hijackers.

Use of diplomacy

The President did more than launch a program limited to enforcement measures. Through the Department of State, he directed a series of diplomatic initiatives and consultations with foreign governments to achieve international acceptance of the multilateral convention providing for extradition or punishment of hijackers and to obtain joint action to suspend airline services with those countries which refuse to punish or extradite hijackers involved in international blackmail.

He called for a meeting of the U.N. Security Council and an emergency session of ICAO (the International Civil Aviation Organization). These meetings were held and constructive action was taken. At the INTERPOL General Assembly meeting in Brussels in October, I had the honor of presenting the American resolution against air piracy. That resolution recommended that extradition or punishment of hijackers be accepted by all nations and it passed unanimously.

The community of nations has responded with extraordinary solidarity to the President's initiative for joint action to outlaw hijacking. On December 16 delegates of 50 nations signed the international convention making hijacking of civilian aircraft a separate criminal act and requiring the subscribing nations to mete out "severe punishment" to the offender. The convention will take effect after it is ratified by 10 nations participating at the conference and will be binding as international law on nations that have signed and ratified.

In the other two parts of the President's program, you, as customs security officers, will play a key role.

Intensified predeparture inspection

The President called for intensified predeparture inspections. He directed that electronic surveillance equipment and surveillance techniques be utilized at all gateway airports, and that the Federal enforcement officers utilizing this equipment conduct appropriate searches, designed to keep potential skyjackers off aircraft.

This is the main thrust of the President's program—prevention. The best way to stop a skyjacking is on the ground by preventing a potential skyjacker from boarding the aircraft.

Predeparture inspections by customs personnel, which commenced at all international gateway airports within 1 week after the President's message, have already prevented 14 persons carrying concealed weapons from boarding aircraft.

During the nonflying phase of your duties, you will take over this responsibility.

Armed sky marshals

The President called for specially-trained armed United States Government personnel on flights of U.S. commercial airlines. Pending creation of the permanent civilian sky marshal force, Treasury agents from Customs, Secret Service, and the Internal Revenue Service responded immediately. They were joined by other Federal agents from the FBI and the FAA to make up the initial force of approximately 300 air marshals. And the Department of Defense responded quickly to the President's call for an interim force of military sky guards.

You are a historic group—customs security officers—the first members of the permanent sky marshal force. Today, 46 graduate from the Treasury Air Security Officer School. You have completed 4 weeks of training and you will report for duty in time to be on U.S. commercial flights before New Year's Day. And you are ready for duty in less than 3½ months since the President's call to action.

This is symbolic of the spirit of urgency and resolve with which the entire Government has acted. Many departments and persons deserve enormous credit for their work to date. I can mention here briefly only some of the people and organizations who are deserving of special comment.

The Office of Management and Budget brought together various agencies of Government to develop, in a very short time, a plan for the implementation of the permanent anti-air-piracy action program. This is a flexible plan which makes maximum and economic use of existing Government resources.

Under the leadership of Secretary John Volpe, the Department of Transportation is coordinating all Government antiskyjacking activity. Here, General Benjamin O. Davis, Jr., brings leadership and experience to make the program go. Jack Shaffer, the outstanding Director of the FAA, provides the operational supervision of the program.

In addition to its general leadership in the international area, the State Department had many officials participating, including the passport officials who went to New York and worked around the clock to expedite the issuance of passports to the initial group of temporary sky marshals.

The Department of Justice has provided U.S. Marshals to support predeparture inspections and has deputized sky marshals so that they have necessary arrest powers.

The Department of Defense has and still is providing a large number of volunteers for an interim force which you will be replacing.

The Civil Service Commission moved with extraordinary speed to establish and classify the new job of customs security officer and to initiate immediate nationwide recruiting.

Of course, our own Treasury Department has many agencies which performed admirably in the highest traditions of this Department. From the Bureau of Customs, under the direction of our dynamic Commissioner, Myles J. Ambrose, came many temporary sky marshals and Customs is now recruiting the people to man the force of which you became a part as the first graduating class.

The Internal Revenue Service came forward with the bulk of Treasury's contribution to the temporary sky marshal program. And the Secret Service gave agents for airborne duty and is taking a leading role in the training program. Finally, the Consolidated Federal Law Enforcement Training Center, which put together a staff and a curriculum on short notice, is a group with which you are now quite familiar.

The prompt response of these agencies, often at great personal inconvenience, testifies to the ability of our Republic to respond in emergency situations.

In summary, President Nixon quickly and effectively responded to the multiple hijacking emergency. He provided immediate protection for U.S. air passengers, provided leadership in the world community to create conditions that would bring hijackers to swift justice, and he has generated a comprehensive and flexible permanent program to reduce to a minimum and hopefully eradicate the threat of hijacking.

As Americans, we can all take pride in the President's program and in this accomplishment.

Exhibit 34.—Excerpts of remarks of Assistant Secretary Rossides, April 8, 1971, before the 16th graduating class of the Treasury Air Security Officer School, Washington, D.C.

It is a particular honor for me to attend today this graduation of class 16 of the Treasury Air Security School and to bring the personal greetings from Secretary Connally and the entire Treasury Department.

This is a special day because when this class begins flying the world air routes next Monday, you will bring to almost 1,000 the number of sky marshals Treasury has trained in support of President Nixon's war on air piracy. Also this graduating class includes the first women to be graduated as sky marshals.

This occasion allows me an opportunity to report on the success of the President's program to date. In 1970 there were 43 skyjackings in the first 8 months. But in the 7 months since then only 12 U.S. airliners have been taken over by air pirates. And not a single airplane with a sky marshal aboard has been hijacked. This is not to say, however, that we need not contemplate future serious incidents.

Not only have the total skyjackings declined dramatically, but there have been 363 arrests—counting the work of your fellow sky marshals, U.S. Marshals and airline personnel. We believe this program has prevented at least five skyjackings. Even more, it has led to seizure of 126 weapons—guns, knives, and hand grenades.

In short, the President's program, which you join today, has succeeded in reducing skyjackings.

The occasion of this graduation also provides me the opportunity to recognize and welcome on behalf of the Department four young women among you—the first women sky marshals to win their badges. It presents the second opportunity we in the Treasury Department have had to introduce women into a major area of law enforcement. A few months ago, Treasury also authorized women members of the Executive Protective Service, which guards the White House and the Embassies in Washington, D.C.

The appearance of women in your ranks will provide an additional deterrent in the battle against air piracy. For the simple point is that from now on we double the number of persons the hijacker must fear. Until today, the hijacker was only concerned that a trained Treasury sky marshal would be among the men accompanying him on a flight. Starting today, he must add to his apprehensions the knowledge that there may be sky marshals among the women passengers as well.

Treasury was proud to offer to the President the first volunteers to become temporary sky marshals last fall when this program began. Treasury was selected to recruit and train the permanent force of air guards including your class 16. We welcome the young women among you—and acknowledge the strength they add to the job which faces us all.

The overall sky marshal program represents the combined efforts of many departments and agencies of Government brought together and shepherded by the Office of Management and Budget. This enormous combined effort, under the leadership of Secretary of Transportation John Volpe, demonstrates what can be accomplished through interdepartmental cooperation.

Today, you are being commissioned as customs security officers in a program that directly results from President Nixon's concern with air piracy.

You are being assigned to safeguard airliners of the United States and will find yourselves working closely not only with our U.S. airline personnel but with the enforcement officials of many nations. You will represent your country, and you will have a great and continuing responsibility for the lives and safety of thousands of men, women, and children.

Your predecessors at this school are now traveling throughout the world—they are law enforcement officers of experience and expertise. Accept their guidance and knowledge as a reasoned chronicle of the past, and add your initiative and imagination to their ideas.

I congratulate you on your successful preparation and wish you well.

Exhibit 35.—Remarks of Assistant Secretary Rossides, May 20, 1971, before the 50th annual meeting of the American Importers Association, New York, N.Y., on the Antidumping Act, 1921—2 years of rejuvenation

The Antidumping Act—its objective

The Antidumping Act, 1921, as amended, is intended to nullify the impact on domestic industry of international price discrimination which injures U.S. producers. From an affirmative standpoint, the statute fosters international trade on a fair and equitable basis.

One of the accomplishments of this administration is the rejuvenation of the administration of the Antidumping Act. As President Nixon stated in his second annual review of U.S. foreign policy.

"We tightened our administration of the antidumping laws to protect our industries against unfair pricing by their foreign competitors."

In the view of the Treasury, the aim of the act is clear—to defend American industry against unfair international pricing practices in sales to the United States. It is not designed as a prop for American industry to assist it in meeting fair and open competition from abroad.

As you know, in the context of the Antidumping Act, an "unfair" sale or, if you will, international price discrimination occurs when a foreign company sells a product for less in the United States than in its home market, thereby causing injury to U.S. industry.

Impact of Antidumping Act as of January 1969

There may be disagreement as to the interpretation of some of the finer points of the Antidumping Act and its administration in the past. There appears, however, to have been general agreement at the time this administration took office that the act had a relatively minor impact not only on international trade matters but, more importantly, in defending American industry from injurious international price discrimination.

An antidumping investigation that takes 2 years and longer to complete tends to be devoid of economic significance to the domestic industry. Many concerns suffering from unfair international price discrimination had to bear their lot patiently until the Treasury completed an exhaustive investigation ferreting out all of the underlying facts.

Moreover, as you know, import trade may suffer too when the spectre of a dumping investigation hovers for an overlong period even if it ends by a determination that the goods have not been sold below fair value. And, delays can cause unfair and inequitable treatment regardless of the ultimate outcome of the investigation.

Acceleration of our dumping investigations without sacrificing reasonable thoroughness introduces a specific element of fairness of its own, which benefits all.

Steps taken by Treasury Department to rejuvenate administration of Antidumping Act

Procedural and manpower changes.—In April 1969, we initiated a Treasury management survey of the administration of the Antidumping Act to determine why it was taking so long to decide these cases and what could be done to improve the situation. It seemed to us that it had to be possible to reduce the investigation period without derogating from the essential fairness of the Treasury's investigation procedures.

The Commissioner of Customs was directed to increase the manpower assigned to this area. Treasury stressed to him and his senior staff the importance it attached to this field and that antidumping work was now to be upgraded so that customs officers assigned to antidumping would realize that it offered broad, future opportunities for promotion in the career service.

By November 1970, the headquarters professionals had been increased from five to 21. The additional personnel were transferred to antidumping from other assignments to which the Bureau of Customs had agreed to give a lower priority pending Treasury's request for supplemental funds.

The President submitted to the Congress his request for supplemental funds for this program. Treasury's Appropriations Committee in the House and Senate (together with the members of the Senate Finance and House Ways and Means Committees) gave full bipartisan support to the request. In December 1970, the Congress enacted the President's antidumping supplemental appropriation bill which provided funds for 41 professionals for antidumping and related matters. This bill provides the means for making permanent the advances made thus far and for implementing additional procedural and policy reforms. Practically all of the 41 positions will be filled by about June 30, 1971. We are also in the process of increasing our manpower abroad.

At the Treasury level, I restricted my deputy for Customs to price discrimination cases and other related tariff matters and the Secretary approved an additional two staff members in this area.

Now, at long last, Treasury has the manpower in Customs to administer the Antidumping Act in a manner in which Congress and the American people have a right to expect. I might add that proportionate increases are being made in secretarial and clerical personnel who will support the professionals in their assignments—an essential factor in proper management.

Another decision made was to establish firm timetables for each step in the collection and collation of information by Customs. In the past it has taken as long as 6 months to decide whether a complaint was sufficiently meritorious to justify the formal initiation of an antidumping investigation. In most cases such decisions are now being made within 1 month.

Questionnaires to foreign exporters and letters replying to typical inquiries have been standardized. Firm time periods are being established for replying to such questionnaires. Much of the clerical work involved in the processing of letters and questionnaires is being simplified by the use of modern and tape typewriters and calculators with memory capabilities.

Conferences with attorneys are being restricted to set periods when the antidumping case handler is fully prepared to discuss particular aspects of an investigation with interested attorneys. The day when attorneys could drop in on case handlers without prior appointment is a practice of the past.

Most important of all, the case handlers and customs representatives abroad have been given a renewed sense of the urgency and the importance of their work and impressed by the need for completing their investigations as rapidly as possible.

In order to institutionalize the changes that had been made and to establish a mechanism for adequate Treasury supervision in this area, the Secretary approved the establishment in my office of the Office of Tariff and Trade Affairs. We now have the mechanism to insure that the Treasury Department will have an ongoing operation for proper supervision and administration of the international price discrimination statute.

Treasury is approaching its initial goal of completing antidumping cases, on the average, within 1 year from the time that the case is presented, taking less time in simpler cases and possibly more time in complicated cases. Because of our continued emphasis on the essentiality of equity and fairness, it may be occasionally necessary to allow somewhat longer than 12 months for extremely complicated cases. The simpler cases, on the other hand, will be completed in less than 12 months.

This achievement is due in large part to the dedicated men and women in the Office of the Secretary and the Bureau of Customs who have devoted long hours and hard work to this effort. Vacations were postsponed and one supervisor passed up a year at the Industrial College to spearhead the customs effort.

Our next goal is to see if we can reduce the average time period to 8 months.

Policy changes.—In May 1970, Treasury formally announced a change in the policy with respect to price assurances in antidumping investigations. We took this action after concluding that the previous policy of readily accepting price assurances was actually encouraging sales at less than fair value in the United States. Under that policy foreign firms seeking to sell their merchandise in the U.S. market had no need to give even a passing consideration to the antidumping implications of the step they were about to take. There was no reason why they should do so under the old rules. Let us discuss for a moment what happened under the earlier price assurance policy.

A foreign concern would price its merchandise in the U.S. market at whatever level it considered necessary to compete effectively. Since its product was normally unknown to the American consumer, it would generally price its merchandise below the level of its American competitors in order to attract customers. If the foreign competition started to make itself felt and resulted in an antidumping complaint being filed with the Treasury Department, the foreign firm still had no cause for undue concern. Treasury's antidumping investigations would, under the former procedures, often take over 2 years, and occasionally took as long as 3 years.

Moreover, if the Treasury Department tentatively concluded that the merchandise was being sold at dumping margins, price assurances could be offered and would be almost invariably accepted by the Department. By this time, with the firm's product well known to American consumers, the foreign concern could afford to raise its prices to the level of its American competitors without fear of a drastic drop in sales.

Better yet from the standpoint of the foreign manufacturers, when the Treasury Department accepted price assurances, it would issue a formal determination of "no sales at less than fair value." To say the least, this determination was misleading, since there had in fact been sales at dumping margins.

Under the new policy, price assurances are accepted only when the dumping margins are minimal in relation to the volume of sales involved. Moreover, in those cases where price assurances are accepted, the case is no longer terminated with a determination of "no sales at less than fair value" as it was under the old price assurance policy. We felt that such a determination after the acceptance of price assurances was a misnomer. Accordingly, the Treasury Department revised its regulations in cases where price assurances are accepted so as to provide for terminations of investigations. This procedure, I feel, realistically expresses exactly what takes place in a price assurance case.

Under the new policy if price assurances are rejected, the case in then referred to the Tariff Commission for, as you know, before a finding of dumping may be issued and dumping duties assessed, it is necessary under the Antidumping Act that there be a determination of sales at less than fair value by the Treasury Department and a determination of injury by the Tariff Commission.

The objective of the new policy is to induce foreign concerns to take the Antidumping Act into account "before" they engage in sales to the United States.

The Antidumping Act provides that in normal situations fair value shall be determined by comparing the ex factory home market price of the merchandise under investigation with the ex factory price at which the merchandise is sold in the United States. If the price in the United States is less than the home market price, then there are "sales at less than fair value" within the meaning of the statute.

The act also states that in situations where the quantity of merchandise sold in the home market is so small in relation to the quantity sold for exportation to countries other than the United States as to form an inadequate basis for comparison, then third country price should be used as the basis for comparison.

The antidumping regulations provide that generally for purposes of determining what constitutes "inadequate basis of comparison" for fair value purposes, home market sales will be considered to be inadequate if less than 25 percent of the non-U.S. sales of the merchandise are sold in the home market.

The selection of home market or third country price for fair value comparison can easily be crucial to the results of antidumping investigations for frequently home market price tends to be higher than third country price. This is particularly true where merchandise is sold in a protected home market and, when sold in third countries, is exposed to the vagaries of world competition.

It has been Treasury's experience that cases arise where sales in the home market are adequate as a basis for fair value comparison, even though less than 25 percent of the non-U.S. sales are sold in the home market. From a technical standpoint, the existing regulations provide for this situation, since the 25 percent rule is introduced by the adverb "Generally." Examination of the precedents, however, revealed that the Treasury has not, in recent years at least, made an exception in applying the 25 percent rule.

This left the Treasury with two alternatives. It could have ignored the previous interpretations of the antidumping regulations which had in effect applied the regulations as if the word "generally" were not there, or it could propose a change in the antidumping regulations to eliminate the 25 percent rule. We chose the latter course. The proposal was published in the Federal

Register of April 27, and is currently open for comment by interested persons. Any comments received will be carefully considered before we take final action on this proposal.

A look into the future

In my judgment, we have only come to the end of the beginning of the rejuvenation process. But, I believe we have made a solid start.

Let me take a final brief moment to touch upon what I see happening in the future. We have taken steps to initiate a fresh examination of the Treasury's antidumping procedures and regulations to see what more can be done. The regulations were substantially revised in mid-1968 after a broad review, with the dual objectives of conforming the Treasury's procedures to the requirements of the International Anti-Dumping Code, and also of having the regulations implement in clear and precise language the objectives of the Antidumping Act. With almost 3 additional years of experience under the regulations, as then revised, it is now appropriate to stop and take a new look to see whether additional changes may be appropriate. A "Notice of Proposed Rule Making" to this effect was published in the Federal Register of April 13, 1971.

Sixty days are being allowed for the submission of comments. I would assume that many persons present here today—if you are not already aware of the Treasury's invitation to submit comments—may wish to do so.

Let me emphasize that the Treasury Department continues, as always, to adhere to its policy of equitable administration of the Antidumping Act. With the increased personnel assigned to this field and modernized procedures and policies, we shall speed up antidumping investigations, thereby making administration of the law more effective—all this without sacrificing equity.

Let me also emphasize that the Treasury Department and the administration are strongly opposed to having the Antidumping Act transformed into an instrument of protectionism. On the other hand we are equally strongly opposed to allowing foreign firms to injure U.S. industry by unfair price discrimination. It is with the latter objective in mind that the Treasury Department introduced the changes in the administration of the antidumping law, which I have discussed with you today. To the extent that we succeed in our objective, the Treasury's rejuvenation of the Antidumping Act will become an increasingly important influence in favor of a freer international trade policy.

In conclusion, I would like to repeat a statement made by Secretary Connally on May 17 before the Subcommittee on International Trade of the Senate Committee on Finance:

"The efforts to foster increased competitiveness in our economy must be actively pursued in the context of fair and liberal trading arrangements."

Exhibit 36.—Remarks of Assistant Secretary Rossides, June 9, 1971, at news briefing on proposed regulations on financial recordkeeping and reporting of currency and foreign transactions

The Department of the Treasury is pleased to report that proposed regulations to implement Public Law 91–508, the Financial Recordkeeping and Currency and Foreign Transactions Reporting Act of 1970, will appear in tomorrow's Federal Register.

We contemplate that the regulations will become effective on August 1, 1971, except for the recordkeeping requirements to become effective on November 1, 1971.

We believe that Public Law 91–508 and the implementing regulations constitute another step forward on the part of the Nixon administration to deter the use of secret foreign financial accounts to further illegal activity.

Our purpose in the proposed regulations is to deter the use of secret foreign accounts to further criminal purposes while not burdening legitimate international commerce.

This is the first administration to concentrate upon and devote major efforts toward frustrating organized and white collar criminal elements who use secret foreign accounts to assist in concealing both substantive violations of securities, gambling, gold trading, currency and drug smuggling laws, and the untaxed income generated from these and other illegal activities.

Major parts of the proposed regulations will affect purely domestic as well as foreign-related matters. This new law and the regulations will impose recordkeeping requirements upon many individuals and businesses that have no reason to be concerned with either secret foreign bank accounts or foreign financial transactions.

The regulations in principal part require: Increased recordkeeping on the part of banks and other financial institutions of both domestic and foreign-related items; domestic financial institutions to report currency transactions in amounts in excess of $5,000; reports of transportation of currency or its equivalent in amounts exceeding $5,000 on any one occasion to or from the United States; maintenance of records by persons having financial interests in foreign financial accounts; recordkeeping for financial institutions including banks, and brokers and dealers in securities and commodities; and retention for a 6-year period of records to be maintained.

The regulations are designed to insure that those records kept in the normal course of business are retained and available for a period of 6 years.

Under the regulations governmental agencies will not have access to specific records except pursuant to the ordinary subpoena and other legal processes.

In testimony before the House and Senate, Treasury emphasized that it was our objective to maximize the effectiveness of this law while minimizing the burdens it might impose. We believe that these proposed regulations have fulfilled that objective. In publishing this notice of proposed rulemaking we seek the publics comments, which will be carefully considered and analyzed before publishing finally effective regulations.

These regulations are only one part of a comprehensive four-part program launched by this administration:

First, we have elevated this problem to the foreign policy level. We have initiated discussions with foreign governments to define more precisely where cooperation can be provided to the United States in criminal matters involving foreign bank accounts.

Second, we have conducted and are continuing with a comprehensive review of current procedures to define and determine what further actions can be taken pursuant to existing statutes and treaties. The question on the 1970 tax return is one of these measures being authorized under previously existing legislation.

Third, we encouraged, supported, and considerably strengthened this legislation, and were successful in having had eliminated several provisions of the original bill which would have permited unwaranted invasions of privacy and would have required unjustifiably burdensome paperwork.

Fourth, we have cooperated with the private sector in analyzing and developing appropriate means of dealing with this type of illegal activity.

Exhibit 37.—Remarks of Assistant Secretary Rossides, June 17, 1971, before the Government-Industry Cargo Security Conference, Washington, D.C., on the administration's action program to combat theft of international cargo

I am pleased to be here today at this conference to discuss with you the Treasury Departments three-point action program to curtail the theft and pilferage of international cargo and to explain the nature of the proposed administration legislation which Treasury has submitted to Congress to combat international cargo theft.

Early in this administration, President Nixon directed a concerted attack on (1) organized crime and (2) drug smuggling. This concerted attack became Treasury's highest priority in the area of law enforcement.

The long neglected problem of theft of cargo fell into both of these priority areas. Therefore, early in 1969 Treasury initiated a study of the cargo theft problem and developed an action program based, first, on what we could accomplish under existing authority and, secondly, on that which required additional legislative authority. Throughout our work on this program, we maintained a close liaison with the Senate Select Committee headed by Senator Bible, whose hearings assisted greatly in focusing attention on the problem.

The gravity of the problem is well known to all of you. The actual dollar loss is huge. In addition to the dollar loss, however, the economy is affected in other ways by such cargo losses—manufacturing schedules may be delayed; employees of manufacturers may be laid off due to lack of raw materials; seasonal markets may be lost; insurance premiums are increased; stolen merchandise may be put into the stream of commerce by the underworld in competition with legitimate business, oftentimes in direct competition with the importers of the property which has been stolen; duty and internal revenue taxes are not collected on merchandise which is not received by the consignee; and lower income taxes are paid by importers who (1) fail to receive stolen merchandise which they would otherwise sell at a profit, and (2) claim a loss on their income tax returns for such theft or pilferage.

I would like to establish the perspective from which Treasury sees its involvement in the matter of security of cargo.

Cargo in international trade is exposed to theft and pilferage at many points from the time it leaves the foreign producer until it reaches the consumer in the United States. Some losses, of course, occur in transit in the foreign country and while awaiting loading either at docks or airports abroad prior to transoceanic shipment. The shipment arrives in the United States, is held by the carrier for a brief period until it has been cleared by Customs, and is then transported inland either by freight forwarders or by the importers via their own transport.

From the time that the merchandise physically touches the territory of the United States, either being unladen from an airplane at an airport of entry or from a vessel onto a dock, it is under "customs custody" until released by Customs for entry into the commerce of the United States. After this release, delivery may be made by the carrier either directly to the importer or to a designated agent such as a customhouse broker or freight forwarder.

It is this period of "customs custody," including the point of delivery by the carrier, with which Customs is and should be concerned. During this period, the carrier is responsible for insuring the physical security of the merchandise. Customs, however, does exercise control over movement of the cargo by the carrier until a suitable arrangement for payment of duty has been made and until Customs is satisfied that contraband, such as heroin and cocaine, is not being smuggled into the United States.

Clearly, any theft or pilferage of merchandise, once it had landed and until its release from customs custody, threatens the proper collection of duty and the prevention of smuggling, with which Customs is charged. Moreover, Customs already has personnel physically present at the airports and docks, at the terminals and warehouses.

It is on the basis of these interests and capabilities that I am able to report to you this morning on Treasury's three-part action program.

1. *Cargo accountability.*—The first part, a regulation which became effective April 1 of this year, establishes a closer accountability for imported cargo from time of unlading until delivery to the consignee or his agent. This also produces statistics which will enable us to pinpoint the specific piers, terminals or warehouses, and the types and values of merchandise which are most involved in cargo thefts.

2. *Improved physical and procedural security.*—The second regulation, also effective April 1, establishes elementary standards for the handling and storage of international cargo, provides for better authentication of pickup orders and verification of delivered quantities, and permits district directors of Customs to require bonded warehouse operators, customhouse brokers and carriers to submit lists of their employees. This regulation focuses particularly on secure storage and handling of cargo with a high value-to-weight ratio and cargo with broken packaging.

3. *National standards, licensing and personnel identification.*— The third part of our program is a legislative proposal now before the current session of Congress—the Mills-Byrnes bill, H.R. 8476 and the Bennett bill, S. 1654. This legislation would give the Secretary of the Treasury authority to complete Customs' protection of international cargo by establishing nationwide standards for security, both physical procedural, at seaports and airports of entry.

Its distinctive feature is that it permits high selectivity in applying more intensive security standards and greater control of personnel engaging in cargo handling in those areas in which the risk of theft is demonstrably greater. In these special "cargo security areas" the Secretary of the Treasury would, by regulation, be able to restrict access to those persons representing licensed firms and/or displaying identification badges approved by the local customs official.

First regulation

Under the first regulation, the efforts of customs inspectors have been redirected. They are now identifying high-risk merchandise and shipments and, to the extent possible, personally supervising its discharge. This means that an appropriate percentage of the bills of lading are physically counted either at time of discharge or shortly thereafter. At least 10 percent of the bills of lading are also verified upon delivery to the onward carrier or importer.

In the field, the Bureau of Customs has designated regional district and port personnel as coordinators for the cargo accountability and antitheft program within their respective areas.

Regional Commissioners of Customs and District Directors of Customs have been requested to contact port authorities, private port security agencies, insurance companies, marine surveyors, and others, and elicit from them information concerning theft and pilferage from piers and terminals in their areas. Their reports on this matter, together with statistics from the accountability reports, will be the basis for recommending assignment of additional inspector personnel to areas where substantial theft and pilferage occur.

At present, approximately 20 percent of a cargo inspector's time is devoted to reconciling the manifest with the entry documents. The Customs Service is testing the feasibility of adapting this function to the computer. On an interim basis, until it can be definitely established that the computer concept should be carried forward, we are experimenting with the use of clerical employees to perform the paperwork function and further redirecting the inspectors' activity to the actual cargo on the piers and terminals.

Second regulation

The second regulation, in the main, makes applicable nationwide the lessons learned from a test program initiated at New York JFK Airport in May 1970. In the first 6 months of the test program, the number of reported instances of theft and pilferage declined by approximately 44 percent, compared to the similar period in 1969, and the dollar value by 67 percent. This reduction was accomplished with minimum expense and minimal effect on facilitation in the transportation industry and by employing basic commonsense principles of cargo and documentation security.

Some of the procedures instituted were: (1) Spot checks of cargo laden onto trucks and vans from aircraft; (2) the movement of both high-value and broken-package merchandise from aircraft to terminal in locked trucks; (3) depositing high-value and broken-package cargo in a safe repository such as a vault, security crib, or U.S. Customs examination room; (4) locked brokers' mailboxes to eliminate theft of documents; (5) use of a new cargo release form. This form provides for authentication by the broker of the person authorized to pick up the merchandise; (6) in cooperation with port authority and local law enforcement officials, spot checks and searches of trucks departing from the airport or terminal areas.

Treasury's second regulation enables Customs to move quickly to apply these simple, but effective, measures wherever a high incidence of theft so warrants.

The problem on the waterfront is equally grave although there appears to be a wide variance in the magnitude of losses of cargo. Along the 650-mile waterfront of New York harbor, cargo theft is so serious that some shippers are directing business to other east coast ports. Every type of merchandise among the $20 billion in general cargo annually passing through the port is a candidate for theft, but the goods most frequently stolen include whiskey, cigarettes, radios, television receivers and TV tubes. These goods bring top prices from the fences who resell the stolen goods to legitimate dealers and to mob-infiltrated firms.

In connection with these two regulations I particularly want to thank, on behalf of the Secretary, industry elements represented here today for their willing and imaginative cooperation with Customs, not only in the JFK pilot project but also in commenting on and implementing the two regulations.

Administration-proposed legislation

To deal with this serious problem with full effectiveness, the Treasury Department, on behalf of the administration, has proposed legislation, which has been introduced into both houses of this Congress, aimed at selectively identifying and remedying the loopholes still existing in Customs control of the movement of international cargo.

The proposed bills direct the Secretary of the Treasury to establish by regulation national standards for cargo protection which would relate to such matters as adequate cargo storage space, special storage areas for high-value items, lighting, fencing, alarm systems, separate private vehicle parking areas, and guards, as well as to procedural matters.

The bill further provides for the creation of "customs security areas" which would be established when the Secretary makes a finding that within a port or portion of a port there is an unusual risk of theft or pilferage to imported merchandise or merchandise for export. The establishment of a "customs security area" will subject cargo facilities within that area to even tighter security measures than those prescribed under the national standards. Access to such areas would be restricted and under the control of customs officers.

For access to a "customs security area," the Secretary of the Terasury may require the display of identification cards or badges approved by the customs officer in charge of a port. The bill also identifies violations for which the customs officer in charge of a port may suspend or revoke an identification card and the procedures which he must follow when he takes such action. These procedures provide for a full hearing and review if requested by the aggrieved party.

The thrust of this legislation is to provide for equality throughout the country in meeting the minimal standards which prudent industry management would normally follow in its own interest. Only in specific areas of demonstrated high theft risk, where normal measures had proved ineffective or industry had failed in its basic responsibilities, would stringent measures and tight controls be imposed. Treasury would expect to define those areas as narrowly as statistical evidence would permit—not an entire port if we could pinpoint a dock area, not a dock area if we could specify a particular pier, not an entire airport if the problem were concentrated at a specific carrier's terminal. And we would hope to work ourselves out of the customs security area business as rapidly as possible.

In addition, the legislation tightens up the criminal penalty structure for cargo theft and facilitates the administration of justice in minor cases of pilferage.

While this entire program is addressed to security of international cargo, we would expect it to provide spinoff security for the large quantities of domestic cargo flowing through and temporarily stored at the same airport and seaport facilities.

As noted earlier, this action program ties in with two top priority concerns of President Nixon—the drive to stop smuggling of contraband narcotics and dangerous drugs into the United States and the campaign against organized crime. If the drug smuggler can steal the package containing narcotics before entry is made, he can avoid the risk of any scrutiny or examination by a customs officer.

Organized crime is undoubtedly a significant factor in theft of cargo, during unlading and delivery to the terminal storage area, while it is in the terminal awaiting release, and especially during delivery to the pickup trucker whose collusion can be arranged with corrupt cargo handlers in the terminal. All large-scale thefts have to involve fences controlled by organized crime. This is a development that must be recognized and dealt with effectively if any meaningful progress is to be achieved.

For organized crime theft and pilferage has become, within the last decade, a big and extremely profitable business, especially at large deep-water ports and at major airports. No single effort and no single agency can solve this problem. We must respond with all the available resources of Federal, State, and local governments. We must have the full and dynamic support and cooperation of industry and labor. That is why this joint conference represents an important step forward in attacking the entire problem.

I close with a personal prediction—within 1 year of passage of the administration's proposed legislation, we will have substantially reduced the theft of international cargo at all key airports and seaports.

Exhibit 38.—Statement of Assistant Secretary Rossides, June 25, 1971, before the Senate Subcommittee on Treasury, Post Office, and General Government Appropriations, concerning the antinarcotics budget amendment for fiscal 1972

It is with a great sense of urgency and a deep awareness of the importance of the subject matter to the welfare of our Nation that I present to the committee Treasury's proposed amendments to the 1972 budget for the Bureau of Customs, Internal Revenue Service, and the Office of the Secretary. These amendments have been submitted pursuant to the President's recently announced intensified program to combat the extremely serious narcotics problem which we face today. In total, we respectfully ask that the 1972 appropriations for the Treasury Department be increased by $25.64 million, $18 million for the Bureau of Customs, $7.5 million for the Internal Revenue Service, and $140 thousand for the Office of the Secretary.

Bureau of Customs

The budget amendment of the Bureau of Customs presents those resources, beyond the request already made for fiscal year 1972, needed for Customs to maximize its demonstrated effectiveness in the interdiction of narcotics. The amendment for Customs is in the amount of $18 million to fund major equipment additions ($12 million) and an added 1,000 positions (260 average positions) of employment ($6 million).

The largest item in Customs' request—$12 million for major equipment additions—principally covers additional aircraft and boats, with appropriate detection systems for both new craft and those in current inventory. The current extensive requirements for air and sea interdiction of smuggling create this substantial need for detection, communication and interception resources.

In the area of personnel, Customs' amendment strengthens the investigative staff of special agents and supporting personnel to expand operations to detect, pursue and apprehend known or suspected smugglers. It adds inspectional personnel to intensify the examination of baggage and cargo, including containerized cargo. It provides increased inspection of military personnel, military baggage and cargo. This funding also strengthens the patrol force to provide airport and seaport security, and mounts an attack on cargo theft to close this attractive channel to the would-be narcotics smuggler.

The 1,000 new positions for Customs have been estimated at an average of 3 months' employment. Recruiting, training, and putting into operation this large group of people will take place over the course of most of the year. A substantial short-range impact can be expected starting in the last quarter of calendar year 1971 and increasing in each succeeding quarter, with a full impact occurring in the second quarter of calendar 1972.

The Customs program will have the further benefit of providing challenging jobs for a number of discharged military personnel.

In fiscal year 1970, the President sought and the Congress approved supplemental funds to increase Customs' anti-drug smuggling effectiveness. The additional efforts made possible by that supplemental met with dramatic success, with Customs' seizures of hard drugs mounting, in less than 11 months of fiscal year 1971, to over 1,200 pounds—more than was seized in the whole preceding 7 years. During the same period, seizures of heroin alone, 928 pounds, exceeded the total for the preceding 10 years. Major seizures of pure heroin have included: 93 pounds (October, Miami); 210 pounds (December, Miami); 98 pounds (April, Newark); 155 pounds (May, Miami); and 201 pounds (May, San Juan).

The following table summarizes the purposes for which the increased funds are requested, and I ask that this table be placed in the record.

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	Positions	Average positions	Amount [In thousands]
I. Additional investigative staff			
A. Intelligence gathering evaluation, etc	75	19	$810
B. Domestic investigations	105	26	1,100
C. Reimburse Treasury Law Enforcement School			200
Total investigative staff	180	45	2,110
II. Additional inspectional personnel			
A. Increased inspection of military personnel, dependents, baggage, household effects and cargo	114	32	600
B. Increased inspection of containerized cargo	150	39	684
C. Increased inspection of noncontainerized cargo	29	7	150
D. Mobile blitz and increased secondary inspections	45	12	290
Total inspectional personnel	338	90	1,724
III. Strengthen patrol force	270	68	1,143
IV. Major equipment additions with associated manpower			
A. Airborne detection and surveillance platform (Navy S2F)	12	4	2,068
B. Detection systems for existing customs aircraft			2,305
C. Surplus surveillance helicopters	4	1	410
D. Additional high-performance fixed-wing aircraft	12	4	2,650
E. Portable ground-based MTI radar	12	4	1,600
F. Air strip multisensor system	20	5	450
G. Special surveillance equipment for pursuit vessels	30	8	1,925
H. Additional radio communication	10	3	525
I. Technical investigative equipment	12	3	255
J. Research and development of improved capabilities to combat air intrusion by drug smugglers			500
Total major equipment additions	112	32	12,688
V. Anti-theft and pilferage program	100	25	335
Grand totals	1,000	260	18,000

Internal Revenue Service

The budget amendment for the Internal Revenue Service reflects a major new initiative designed to severely disrupt the narcotics distribution system.

As is generally known, the profits to be gained from the narcotics trade are astronomical. Consequently, despite our efforts across a broad front, there are always those who will take any risk to grasp for the large profit. The present amendment will permit the Department of the Treasury to launch a systematic drive through the Internal Revenue Service against middle and upper echelon distributors and financiers involved in narcotics trafficking.

The IRS attack will be aimed primarily at individuals who are generally insulated from the daily operations of the drug traffic through a chain of intermediaries. This new initiative will be undertaken in cooperation with other Federal, State and local enforcement agencies having responsibility for narcotics enforcement. Its purpose will be to disrupt the narcotics distribution system not only by prosecuting those guilty of criminal tax violations but also by reducing drastically the profits of the narcotics traffic by going after income from sources which are usually not reported.

Examinations and investigations will utilize the most effective enforcement techniques to ferret out unusual and concealed financial transactions. Surveillance, undercover agents and informants will be employed to gather intelligence concerning the financial affairs of narcotics traffickers. It is also anticipated that IRS will receive substantial intelligence from the Bureau of Customs, BNDD and State and local agencies having prime responsibility for narcotics enforcement.

The $7.5 million proposed for fiscal year 1972 will provide for 200 special agent, 200 revenue agent and 141 supporting positions. We expect to realize approximately 251 man-years in fiscal year 1972.

This will entail a tandem operation by Intelligence and Audit Divisions of Internal Revenue Service and supporting personnel who will devote all of their time to the narcotics program. Included in the cost are special investigative equipment and cars, travel expenses, per diem, overtime and premium pay.

IRS estimates that it can complete full recruitment and training by September of 1972 and that each special agent can conduct two full-scale investigations per year. To avoid delay in initiating the program, IRS will assign 100 experienced special agents and 100 experienced revenue agents to the program at its inception. As recruitment and training proceed, an additional 200 will be assigned to the program along with the required support personnel to bring the program to full strength by September of 1972. The positions which are to be vacated from other IRS programs by the original 200 agents (revenue and special) will be filled again as recruitment and training of new agents progress.

Office of the Secretary

This budget amendment also provides a modest strengthening of the Office of the Assistant Secretary for Enforcement and Operations for overall supervision of Treasury's participation in the President's intensified drug control program. Four professional and five secretarial positions are needed.

For the Office of Law Enforcement we are requesting an Assistant Director (Drugs), a staff professional to work on drug matters and two secretaries. Our past drug efforts have demanded much from our limited staff on work that can properly be done only at the level of the Office of the Secretary. This heavy work burden will be greatly amplified by the new demands of the expanded antinarcotics program.

INTERPOL has an integral role in drug control. The minimal staffing of the Treasury's national central bureau has been the target of congressional criticism. Fiscal year 1970 saw a 110 percent increase in INTERPOL's correspondence, a 30% increase in total cases and a 178% increase in U.S. cases. We know the President's narcotics program will generate greatly increased workloads for INTERPOL, requiring the addition of an Assistant Chief, an additional interpreter-typist proficient in Spanish and French, and one additional clerk-typist.

For the Office of Operations, one staff professional and one secretary are required because of the increasing management control, operational analysis, budget review, and interagency coordination problems generated by the new program which must be handled at the level of the Office of the Secretary.

With these requested resources, Treasury can make a major additional contribution to the President's offensive against drug abuse.

Exhibit 39.—Key points made in anti-drug abuse speeches delivered during fiscal 1971 by Assistant Secretary Rossides

The President's action program during these past 2 years has, in my judgment: 1. Alerted the international community to the global problem of drug abuse and has brought about the beginnings of the action needed to combat it; and 2. arrested the United States incredible downward slide into drug abuse.

But, let there be no false optimism. We have a long and steep climb ahead of us just to return to the level from which we fell. It will require the active participation of all of us. However, I am confident that the challenge will be met.

The President's six-point action program against drug abuse has: 1. Elevated the drug problem to a foreign policy level and taken personal Presidential initiatives in soliciting international cooperation; 2. recognized the critical importance of programs in education, research, and rehabilitation and provided Federal funds for these purposes; 3. established a flexible penalty structure which provides a procedure whereby a youthful first offender can have the slate wiped clean, and which differentiates between marijuana and heroin; 4. increased funds for law enforcement; 5. recognized the central role of the States and the need for close Federal-State cooperation in a unified drive against drug abuse; and 6. stressed total community involvement—the private sector as well as governmental agencies—in this anti-drug abuse drive.

I leave you with a reason to hope and a challenge to meet. President Nixon has moved on several fronts to marshal the resources of our own Nation into a multidimensional, coordinated Federal-State response. And the President has alerted the nations of the world to the international menace of drug abuse and enlisted their active support. Therein lies our hope and challenge. The outcome of this effort will determine the future of a generation.

Exhibit 40.—Remarks by Assistant Secretary Rossides, June 25, 1971, at the graduation exercises of the Executive Protective Service

It is truly a pleasure for me to be here and to participate in this graduation ceremony.

This morning marks the close of a formal training program for today's graduating officers of the Executive Protective Service. It also marks the culmination of a plan—a plan prompted by the concern of the President of the United States.

More than 2 years ago, President Nixon expressed his deep, personal concern for the safety of the diplomatic community here in Washington. The President's concern stemmed from the alarming increase in crimes involving the embassies and their personnel.

It is also important to note that under international law, it is the obligation of the host government to take reasonable precautions to insure the safety of foreign diplomatic officials and the embassies of foreign governments.

With this in mind, the President initiated a program to create a police force which would provide a secure environment for the Washington diplomatic community. Studies indicated that the type of security necessary—preventive security—could be most effectively provided by the White House Police Force—the force which had long protected the President's residence. Consequently, appropriate legislation was submitted to Congress and, with their bipartisan support, enacted. On March 19, 1970, President Nixon signed the legislation into law. The law expanded the responsibilities and size of the former White House Police Force and created the Executive Protective Service within the Department of the Treasury.

The Secretary of the Treasury has delegated the operational direction of the Executive Protective Service to the Director of the Secret Service, James J. Rowley.

Since the legislation was passed—just 15 months ago—nearly 6,800 applicants have been screened. Of that figure, 668 have been appointed and trained. These officers represent all races, creeds, and geographic areas of our Nation. We believe that they are truly a composite of the best of American adulthood.

You graduates are members of the final class of Executive Protective Service recruits. We have now trained the full complement of officers necessary to provide security for the White House and the foreign diplomatic missions in the Washington area.

It is too early to measure the full impact of your colleagues at the foreign missions. Nevertheless, we are encouraged by the Metropolitan Police Department report for the last third of 1970—the period following activation of the Executive Protective Service. The report indicates a sharp decrease in crime in the area of the highest concentration of embassies.

Apparently the public is also realizing the impact of the Executive Protective Service. Recently a private citizen wrote a letter saying that before the Executive Protective Service was operational in his area, he did not consider it safe to walk after dark. He told of how he had previously been held up by three men and said that his sister had also been robbed. He went on to say that the streets now appear safe and that it is not only the embassies being guarded but the whole area, and the residents appreciate it.

I might add we have heard other similar comments.

To continue to earn the confidence of the residents in the District of Columbia and maintain the faith of the President and the Congress, you graduates and your colleagues must constantly strive to provide a secure atmosphere. You must also fulfill an additional responsibility, one that is not written into the legislation. That is the responsibility of reflecting that officers of the Executive Protective Service are trained and professional. Your graduation today attests to your proficiency in training.

It is well recognized that a better education and a better trained police officer, employing new and sophisticated procedures, will provide more efficient and professional police service. But professionalism is more than training and education. Professionalism is also a spirit of cooperation and assistance between law enforcement agencies and between the police and the community they serve.

The Department of the Treasury takes great pride in the assignment of this important protective mission and the manner in which it is being fulfilled by the Executive Protective Service.

I congratulate you on your successful preparation and wish you well.

Monetary Affairs

Exhibit 41.—Notice of termination of silver deposits at Mints for exchange, October 5, 1970

TITLE 31—MONEY AND FINANCE: TREASURY

Chapter I—Monetary Offices, Department of the Treasury

PART 90—TABLE OF CHARGES AND REGULATIONS OF MINTS AND ASSAY OFFICES OF THE UNITED STATES FOR PROCESSING GOLD AND SILVER AND ASSAYING BULLION, METALS, AND ORES

PART 92—BUREAU OF THE MINT OPERATIONS AND PROCEDURES

PART 93—OFFICE OF DOMESTIC GOLD AND SILVER OPERATIONS PROCEDURES AND DESCRIPTIONS OF FORMS

Silver Deposits at Mints for Exchange; Notice of Termination

Effective November 10, 1970, the U.S. Mints and Assay Offices will no longer accept deposits of silver for exchange into bars. Accordingly, Parts 90, 92, and 93 of Title 31 of the Code of Federal Regulations will be amended to delete the specifications and conditions for the receipt of such deposits. These amendments will be effective as of the close of business November 10, 1970. Deposits received at the U.S. Mints and Assay Offices prior to this time will be accepted for exchange in accordance with the regulations governing such exchanges.

Dated: October 5, 1970.

[SEAL]

WILLIAM L. DICKEY,
Acting Assistant Secretary of the Treasury.

Exhibit 42.—Amendments and revisions to the silver regulations, December 9, 1970

Title 31--MONEY AND FINANCE: TREASURY

Chapter I—Monetary Offices, Department of the Treasury

PART 90—TABLE OF CHARGES AND REGULATIONS OF THE MINTS AND ASSAY OFFICES OF THE UNITED STATES FOR PROCESSING SILVER AND ASSAYING BULLION, METALS, AND ORES [1]

The purpose of these amendments and revisions is to implement the termination of acceptance of silver deposits for exchange into bars at the U.S. Mints and Assay Offices. Notice of termination of such deposits for exchange was published in the FEDERAL REGISTER on October 9, 1970 (35 F.R. 15922).

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[1] Coinage mints are located at Philadelphia, Pa., and Denver, Colo.; U.S. Assay Offices are located at New York, N.Y., and San Francisco, Calif. Deposits are not accepted in Washington, D.C.

Part 90 of Title 31 of the Code of Federal Regulations is revised to read as follows:

Sec.
90.1 Application and general regulations.
90.2 Silver bullion which may be accepted.
90.3 Requisites for acceptable bullion, as to fineness.
90.4 Return or rejection of silver deposited.
90.5 Charges for treating and processing silver.
90.6 Charges for special assays and assays of ores.
90.7 Transactions not subject to various treating and processing charges.
90.8 Settlement for transactions conducted.

AUTHORITY: The provisions of this Part 90 issued under 5 U.S.C. 301, R.S. 3524, as amended, R.S. 3546, 48 Stat. 337; 31 U.S.C. 332, 360.

§ 90.1 Application and general regulations.

(a) *Scope.* This part prescribes policies, regulations, and charges of the U.S. Mints and Assay Offices governing the acceptance and treatment of silver deposited for purchase, under provisions of the Newly-Mined Domestic Silver Regulations of 1965, the regulations of the Office of Domestic Gold and Silver Operations (Parts 81 and 93 of this chapter, respectively) and Title 31 of the United States Code.

(b) *Assaying, melting, parting and refining, and other related services.* The charges for the various operations on bullion deposited, for the preparation of bars, and for the assay of samples of bullion and ores are fixed from time to time by the Director of the Mint, with the concurrence of the Secretary of the Treasury, so as to equal but not exceed in their judgment the actual average costs. The U.S. Mints and Assay Offices shall impose appropriate charges for services performed under these regulations.

(c) *Metals not returned to depositors.* Metals other than silver contained in bullion accepted will not be returned to the depositor, nor will credit or payment be given for them.

§ 90.2 Silver bullion which may be accepted.

The U.S. Mints and Assay Offices will accept for purchase, silver which meets the requisites set forth in Parts 81 and 93 of this chapter, and the general regulations in this part.

§ 90.3 Requisites for acceptable bullion as to fineness.

(a) Silver governed by the regulations in Parts 81 and 93 of this chapter must contain at least 600 parts of silver in 1,000, to be eligible for deposit under the regulations in this part.

(b) In addition to this requisite as to fineness, deposits in this category must also be accompanied by duly executed affidavits as evidence that such silver is eligible. Forms for this purpose are prescribed in Part 93 of this chapter.

§ 90.4 Return or rejection of silver deposited.

(a) *Unsatisfactory silver bullion.* Any silver bullion that fails to meet the necessary requisites set forth in Parts 81 and 93 of this chapter, and this part, or that is unsuitable for mint operations, shall not be accepted, but shall be returned according to provisions of paragraph (b) of this section.

(b) *Return of bullion.* Subject to payment in cash to the Government for charges incurred, bullion may be returned to the depositor at any time before settlement is made or payment is tendered therefor, and thereafter at the option of the superintendent of the Mint or the officer in charge of the Assay Office handling the bullion.

§ 90.5 Charges for treating and processing silver.

(a) *Melting charges.* A melting charge of $5 shall be imposed for the first 1,000 gross troy ounces of each deposit of bullion. An additional melting charge of 50 cents shall be imposed for each additional 100 gross troy ounces or fraction thereof. These rates shall be applied to the after melting gross weight of the deposit.

(b) *Excess melting loss charge.* When there is a melting loss in excess of 15 percent of the before melting weight of a deposit of bullion, an additional melting charge of $3 shall be imposed for the first 100 gross troy ounces. An additional melting charge of $1 shall be imposed in this case for each additional 100 gross troy ounces or fraction thereof. These additional rates shall be applied to the before melting gross weight of the deposit.

(c) *Abnormal treatment charges.* At the discretion of the superintendent of the Mint or the officer in charge of the Assay Office, deposits of bullion which require abnormal treatment shall be subjected to additional charges equal to the extra cost, including remelting and retreatment if necessary. When charges for abnormal treatment are assessed, a charge will not be made for an excess melting loss.

(d) *Parting and refining charge (rate per gross troy ounce to the nearest hundredth)—Silver Bullion.*

Silver content:	*Charge (cents)*
600 to 850 thousandths	12
850½ to 995¾ thousandths	6

§ 90.6 Charges for special assays and assays of ores.

(a) *General.* Gold or silver bullion and ores submitted for special assay will be accepted by the United States Mints and Assay Offices only if the owner is authorized by the regulations in Part 54 of this chapter to receive in return any gold contained therein.

(b) *Special assays.*

Metals determined	Gold or silver bullion (under 800 base metal)	Plated or filled goods and white gold
	Charges per assay	
Gold	$11	$12
Silver	11	12
Gold and silver (same sample)	19	23
Additional charge when the sample contains any of the platinum group metals	5	

(c) *Assay of ores.* Assays of ores will be made at the U.S. Mint, Denver, Colo. The charge for each metal determined will be:

	Charge
Gold	$5
Silver	5
Gold and Silver (same sample)	8
Lead	8
Zinc	8
Copper	7

§ 90.7 Transactions not subject to various treating and processing charges.

(a) *Deposits exempt from melting charges.* (1) Uncurrent U.S. coin.

(2) Silver bullion of at least 999 thousandths fineness when a satisfactory assay can be obtained without melting.

(b) *Deposits exempt from parting and refining charges.* Deposits of domestic mutilated or uncurrent silver coin received in accordance with Part 100 of this chapter, are not subject to charges for parting and refining, except as provided in § 90.5.

§ 90.8 Settlement for transactions conducted.

(a) *Advance settlement.* When the approximate fineness of bullion containing 5,000 or more ounces of silver may be readily determined, settlement of 90 percent of the value may be made at the discretion of the superintendent or officer in charge. If the fineness is closely determined by assay, and the bullion is awaiting remelting and reassay for exact determination, settlement of 98 percent of the value may be made. Other advances may be authorized by the Secretary of the Treasury. In any case of an advance the depositor must give a written guaranty that the value of the deposit is at least equal to the amount advanced.

(b) *Statement of charges.* The detailed memorandum of the weight of bullion after melting, the report of the Assayer as to fineness, the value of the bullion deposited and the amount of the charges shall be given to the depositor.

(c) *Payment for silver bullion deposits.* Payment for silver bullion is made, in so far as practicable, in the order in which the deposits are received, by check drawn in favor of the depositor or to such other person as he may designate. In no case is a check in payment of a deposit drawn in favor of any officer or employee of the institution where the deposit is made, and in no case may any person employed in the institution act as agent for the depositor. Checks may be sent by ordinary mail at the risk of the payee or by registered mail at his request and expense.

Effective date. These regulations are effective as of the close of business November 10, 1970, as indicated in the notice of termination of silver deposits for exchange published in the FEDERAL REGISTER on October 9, 1970 (35 F.R. 15922). Deposits received at the U.S. Mints and Assay Offices prior to this time will be accepted for exchange in accordance with the regulations governing such exchanges.

Dated: December 9, 1970.

[SEAL]

MARY BROOKS,
Director of the Mint.

PART 92—BUREAU OF THE MINT OPERATIONS AND PROCEDURES

The purpose of these amendments and revisions is to implement the termination of acceptance of silver deposits for exchange into bars at the U.S. Mints and Assay Offices. Notice of termination of such deposits for exchange was published in the FEDERAL REGISTER on October 9, 1970 (35 F.R. 15922).

Part 92 of Title 31 of the Code of Federal Regulations is revised to read as follows:

Sec.
92.1 Receipt of bullion.
92.2 Handling of bullion.
92.3 Redemption and deposit of U.S. coin.
92.4 Sale of silver.
92.5 Manufacture of medals.
92.6 Sale of "list" medals.
92.7 Manufacture and sale of "proof" coins.
92.8 Uncirculated Mint Sets.
92.9 Procedure governing availability of Bureau of the Mint records.
92.10 Appeal.

AUTHORITY: The provisions of this Part 92 issued under 5 U.S.C. 301.

§ 92.1 Receipt of bullion.

As a matter of expedience and convenience to the public, the superintendents and officers in charge of the Mint institutions are authorized to receive newly mined domestic silver bullion, as provided by Parts 81 and 93 of this chapter, for deposit by express or mail. In cases where reasonable doubts may arise as to the ownership and eligibility or any other pertinent factor concerning bullion, the superintendents and officers in charge may decline to receive deposits unless made in person. When silver bullion is received by express or mail, or when formal receipts are not requested by the depositors of silver bullion, memorandum receipts are issued to the depositors. Whenever the depositor of silver requests a formal receipt, he is given a receipt on Form 7a for the before-melting weight of his deposit. Receipts on Form 7a must be surrendered, properly indorsed by the depositor at the time payment is made for the silver bullion represented thereby. If the depositor of silver bullion loses his receipt on Form 7a, payment for his deposit will not be made to him until he shall have posted an indemnity bond for double the value of his deposit.

§ 92.2 Handling of bullion.

(a) All bullion deposited at any of the Mints or Assay Offices is weighed, when practicable, in the presence of the depositor or his agent, and the weight is verified by an authorized official or competent employee of the Mint or Assay Office. Weights are recorded in troy ounces and hundredths of an ounce. In receiving and weighing deposits, fractions of one-hundredth of an ounce are disregarded. When several parcels are deposited by the same depositor at the same time, they may be weighed separately at his request, but they will be assayed separately only when separate melting charges are assessed for each parcel assayed.

(b) The Assayer takes at least two samples in sufficient portions for assay from each deposit of bullion. The percentages of the gold, silver and base metal contained, as well as the charges to which the deposit is subject, are indicated by the Assayer on a special form provided for that purpose, which is signed by the Assayer. This form also contains the depositor's name, the number and the date of the deposit, the class of bullion, the weight before and after melting and the deductions, if any, to which the deposit has been subjected. The depositor will not be paid for any gold contained in silver deposits. The depositor should be informed of such gold content and given the opportunity to withdraw the deposit before processing and purchase.

§ 92.3 Redemption and deposit of U.S. coin.

(a) U.S. gold coin eligible for acceptance if of legal weight, is redeemed at face value. If U.S. gold coin is worn or mutilated, it is received as standard metal without previous melt or assay and it is redeemed as bullion at the rate of $20.67+ per ounce of fine gold.

(b) The regulations governing the redemption and exchange of silver coins and minor coins are set forth in Part 100 of this chapter.

§ 92.4 Sale of silver.

See Part 56 of this chapter.

§ 92.5 Manufacture of medals.

With the approval of the Director of the Mint, dies for medals of a national character designated by Congress may be executed at the Philadelphia Mint, and struck in such field offices of the Mints and Assay Offices as the Director shall designate. Application for the manufacture of such medals may be made by letter to the Director of the Mint, Treasury Department, Washington, D.C. 20220.

§ 92.6 Sale of "list" medals.

Medals on the regular Mint list, when available, are sold to the public at a charge sufficient to cover their cost, and to include mailing cost when mailed. Copies of the list of medals available for sale and their selling prices may be obtained from the Director of the Mint, Washington, D.C. 20220.

§ 92.7 Manufacture and sale of "proof" coins.

"Proof" coins, i.e., coins prepared from blanks specially polished and struck, are made as authorized by the Director of the Mint and are sold at a price sufficient to cover their face value plus the additional expense of their manufacture and sale. Their manufacture and issuance are contingent upon the demands of regular operations. Information concerning availability and price may be obtained from the Director of the Mint, Treasury Department, Washington, D.C. 20220.

§ 92.8 Uncirculated Mint Sets.

Uncirculated Mint Sets, i.e., specially packaged coin sets containing one coin of each denomination struck at the Mints at Philadelphia and Denver, and the Assay Office at San Francisco, will be made as authorized by the Director of the Mint and will be sold at a price sufficient to cover their face value plus the additional expense of their processing and sale. Their manufacture and issuance are contingent upon demands of regular operations. Information concerning availability and price may be obtained from the Director of the Mint, Treasury Department, Washington, D.C. 20220.

§ 92.9 Procedure governing availability of Bureau of the Mint records.

(a) *Regulations of the Office of the Secretary adopted.* The regulations on the Disclosure of Records of the Office of the Secretary and other bureaus and offices of the Department issued under 5 U.S.C. 301 and 552 and published as Part 1 of this title, 32 F.R. No. 127, July 1, 1967, except for § 1.7 of this title entitled "Appeal", shall govern the availability of Bureau of the Mint records.

(b) *Determination of availability.* The Director of the Mint delegates authority to the following Mint officials to determine, in accordance with Part 1 of this title, which of the records or information requested is available, subject to the appeal provided in § 92.10: The Deputy Director of the Mint, Division Heads in the Office of the Director, and the Superintendent or Officer in Charge of the field office where the record is located.

(c) *Requests for identifiable records.* A written request for an identifiable record shall be addressed to the Director of the Mint, Washington, D.C. 20220. A request presented in person shall be made in the public reading room of the Treasury Department, 15th Street and Pennsylvania Avenue NW., Washington, D.C., or in such other office designated by the Director of the Mint.

§ 92.10 Appeal.

Any person denied access to records requested under § 92.9 may file an appeal to the Director of the Mint within 30 days after notification of such denial. The appeal shall provide the name and address of the appellant, the identification of the record denied, and the date of the original request and its denial.

Effective date. These regulations are effective as of the close of business November 10, 1970, as indicated in the notice of termination of silver deposits for exchange published in the FEDERAL REGISTER on October 9, 1970 (35 F.R. 15922). Deposits received at the U.S. Mints and Assay Offices prior to this time will be accepted for exchange in accordance with the regulations governing such exchanges.

Dated: December 9, 1970.

[SEAL]

MARY BROOKS,
Director of the Mint.

Coinage Legislation

Exhibit 43.—Title II of an act to amend the Bank Holding Company Act of 1956, and for other purposes

[Public Law 91–607, 91st Congress, H.R. 6778, December 31, 1970]

TITLE II—PROVISIONS RELATING TO COINAGE

Specifications.
79 Stat. 254.

SEC. 201. Section 101 of the Coinage Act of 1965 (31 U.S.C. 391) is amended to read as follows:

"SEC. 101. (a) The Secretary may mint and issue coins of the denominations set forth in subsection (c) in such quantities as he determines to be necessary to meet national needs.

"(b) Any coin minted under authority of subsection (a) shall be a clad coin. The cladding shall be an alloy of 75 per centum copper and 25 per centum nickel, and shall weigh not less than 30 per centum of the weight of the whole coin. The core shall be copper.

"(c)(1) The dollar shall be 1.500 inches in diameter and weigh 22.68 grams.

"(2) The half dollar shall be 1.205 inches in diameter and weigh 11.34 grams.

"(3) The quarter dollar shall be 0.955 inch in diameter and weigh 5.67 grams.

"(4) The dime shall be 0.705 inch in diameter and weigh 2.268 grams.

"(d) Notwithstanding the foregoing, the Secretary is authorized to mint and issue not more than one hundred and fifty million one-dollar pieces which shall have—

"(1) a diameter of 1.500 inches;

"(2) a cladding of an alloy of eight hundred parts of silver and two hundred parts of copper; and

"(3) a core of an alloy of silver and copper such that the whole coin weighs 24.592 grams and contains 9.837 grams of silver and 14.755 grams of copper."

Silver, transfer to Treasury.

SEC. 202. For the purposes of this title, the Administrator of General Services shall transfer to the Secretary of the Treasury twenty-five million five hundred thousand fine troy ounces of silver now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h) which is excess to strategic needs. Such transfer shall be made at the value of $1.292929292 for each fine troy ounce of silver so transferred. Such silver shall be used exclusively to coin one-dollar pieces authorized in section 101(d) of the Coinage Act of 1965, as amended by this Act.

60 Stat. 596.
84 Stat. 1769.
Ante, p. 1768.

SEC. 203. The dollars initially minted under authority of section 101 of the Coinage Act of 1965 shall bear the likeness of the late President of the United States, Dwight David Eisenhower, and on the other side thereof a design which is emblematic of the symbolic eagle of Apollo 11 landing on the moon. Eisenhower silver dollars.

SEC. 204. Half dollars, as authorized under section 101(a)(1) of the Coinage Act of 1965, as in effect prior to the enactment of this Act may, in the discretion of the Secretary of the Treasury, continue to be minted until January 1, 1971. Silver half-dollars, time limitation.

SEC. 205. (a) The Secretary of the Treasury is authorized to transfer, as an accountable advance and at their face value, the approximately three million silver dollars now held in the Treasury to the Administrator of General Sevices. The Administrator is authorized to offer these coins to the public in the manner recommended by the Joint Commission on the Coinage at its meeting on May 12, 1969. The Administrator shall repay the accountable advance in the amount of that face value out of the proceeds of and at the time of the public sale of the silver dollars. Any proceeds received as a result of the public sale in excess of the face value of these coins shall be covered into the Treasury as miscellaneous receipts. Silver dollars, transfer to GSA.

(b) There are authorized to be appropriated, to remain available until expended, such amounts as may be necessary to carry out the purposes of this section. Appropriation.

SEC. 206. The last sentence of section 3517 of the Revised Statutes, as amended (31 U.S.C. 324), is amended by striking the following: ", except that coins produced under authority of sections 101(a)(1), 101(a)(2), and 101(a)(3) of the Coinage Act of 1965 shall not be dated earlier than 1965".

SEC. 207. Section 4 of the Act of June 24, 1967 (Public Law 90–29; 31 U.S.C. 405a–1 note), is amended by adding at the end thereof the following new sentence: "Out of the proceeds of and at the time of any sale of silver transferred pursuant to this Act, the Treasury Department shall be paid $1.292929292 for each fine troy ounce." 81 Stat. 77.

SEC. 208. Section 3513 of the Revised Statutes (31 U.S.C. 316) and the first section of the Act of February 28, 1878 (20 Stat. 25; 31 U.S.C. 316, 458) are repealed. Repeals.

SEC. 209. Coins produced under the authority of section 101(d) of the Coinage Act of 1965, as amended by this Act, shall bear such date as the Secretary of the Treasury determines. Eisenhower silver dollars, date determination.

Approved December 31, 1970.

International Financial and Monetary Developments

Exhibit 44.—Remarks by Secretary Kennedy as Governor for the United States, September 22, 1970, at the joint annual discussion of the Boards of Governors of the International Monetary Fund and the International Bank, Copenhagen, Denmark

I want first to express the appreciation of the United States to our Danish hosts for opening this historic city of Copenhagen to our annual meetings. Americans have always been conscious of the large contribution of Denmark to our own people and to our national life. We are delighted that these meetings bring us into further contact with your people and your culture.

The year since we last met together has been marked by important accomplishments. Special Drawing Rights (SDR) have begun to play a useful role among the complex of reserve assets. We look forward to sizeable increases in Fund quotas. The World Bank Group has passed a historic milestone in becoming the largest source of development finance. Its vigor is further reflected in imaginative efforts to bring its funds to bear more directly on pressing development problems. The agreement looking toward replenishment of the resources of the International Development Association at a level of $800 million a year should help to assure the availability of funds to maintain this forward momentum. Progress of our institutions has been accompanied by vigorous growth in trade, a marked reduction in exchange market pressures, and substantial repayments of the short-term and emergency credits accumulated in earlier years. These are substantial achievements. Yet events of the past year have also clearly exposed basic challenges to the financial stability and liberal trading order upon which the success of the Fund and the Bank must ultimately rest.

I

Inflation is the first of those challenges. In nearly every industrialized country, wage and other income claims are rising faster than capacity to expand real goods and services. As a consequence, the foundations of orderly economic progress are undermined.

I believe our actions have demonstrated the central importance we in the United States have attached to dealing with inflation. We did not shrink from the painful task of applying the tested instruments of firm budgetary control and strong monetary restraints.

I should point out too that—alongside the general program of restraint—the determined efforts of President Nixon to scale down the Vietnam conflict have set the stage for a decline in defense spending projected at more than $5 billion during the current fiscal year. Manpower and budget resources are being released for more productive use in areas of high social and economic priority. We are thus beginning to reverse a process that contributed so strongly to the buildup of inflationary momentum in the second half of the 1960's.

Eliminating excess demand and braking inflation exacted a cost: by the turn of the year, real economic growth in the United States had been temporarily brought to a standstill. As pressures on the labor market subsided, the unemployment rate this summer rose to about 5 percent—considerably higher than would be appropriate over any extended period of time.

However, considerable evidence is also accumulating that the needed adjustments in expectations and actual pricing behavior are underway. The most encouraging sign is that industrial wholesale prices—normally a good barometer of the pricing environment—rose at a seasonally adjusted annual rate of barely more than 2½ percent over the summer, substantially less than the 4 percent rate experienced in 1969. Productivity growth seems to be resuming, helping manufacturers to absorb higher labor costs. The rise in consumer prices has also begun to slow.

At the same time we fully recognize that the inflationary process in the United States, as in the world at large, is not yet under full control. As elsewhere, the response has been slower than experience or theory would have led us to expect. In these circumstances I believe we could all profit from intensive consideration of recent experience in the Fund and in the Organization for Economic Cooperation and Development or other forums, looking toward both effective and mutually satisfactory solutions.

For our own part we are determined to maintain cautious and responsible financial policies. We are willing to accept some budgetary deficit this year when the economy is not under demand pressure. We are also willing to see some rebuilding of private liquidity. Our money and capital markets already reflect some easing of tensions, and we now see signs of a resumption of economic growth.

Our progress in guiding the economy toward reasonable price stability, without lapsing into serious recession, is, I believe, a noteworthy achievement. But we are as fully aware of the danger of too fast expansion and renewed overheating as we were of deep recession. We mean to keep Government spending below the limits set by our revenue potential at high levels of income and employment. We will not encourage an expansion of money and credit of proportions that could fuel an excessive burst of demand. A steady, rather than precipitous, advance offers the best prospect for combining fuller employment with greater price stabiilty.

II

The process of internal adjustment has been accompanied by sharp crosscurrents in our external accounts. Our current account has improved rather substantially. Indeed, helped by a considerable expansion in exports, transactions in non-military goods and services were generating net receipts at an annual rate of nearly $7½ billion during the first half of the year, more than $2½ billion higher than a year ago. On the other hand continued heavy Government expenditures overseas required for security and for aid and other purposes were practically as large as that surplus. At the same time, there was a sharp reversal of the extraordinarily favorable pattern of capital flows in recent years, throwing our overall accounts into substantial deficit. In the first 6 months, we recorded a deficit on official settlements of some $4½ billion, an amount slightly exceeding the surplus accumulated over the 2 previous years.

I believe sizeable short-term swings in our payments position must be anticipated in a world of relatively free markets and volatile capital movements. I believe we have the capacity to handle those swings so long as they take place within the context of a strengthening current surplus. The current recovery in our trade account, while favorably affected by cyclical developments, points in the right direction. But I recognize it can only be a start.

The steady growth in earnings on our foreign investment account—which nearly tripled in the past decade—is a long-term element of strength. As interest rates return to more normal levels, we should also be able to look forward to some lightening of the extraordinary burden that interest payments have placed on our position. The phasing down of the Vietnam conflict—as well as a more equitable sharing of the costs of mutual security in other areas—could help reduce our foreign exchange outlays for defense. But, fundamentally, our effort must rest on a solid competitive position arising from much better domestic price performance. In that respect our domestic and balance of payments goals coincide.

III

The growing friction and concern about trading relations among nations are a third major challenge. In my own country, protectionist sentiments have been increasingly expressed by elements in labor and industry, and restrictive legislation has considerable congressional support.

President Nixon has made clear his commitment to resist these pressures. We mean to preserve and expand the enormous benefits flowing from free and competitive world commerce. In developing measures to meet our own trading problems, we have emphasized measures to support the efforts of our own industry to look outward and compete abroad on a fair and equal basis.

But it is clear that success in maintaining a liberal trading environment can be achieved only by means of a worldwide effort.

Those countries in a strong position, but with markets heavily protected by outmoded quantitative restrictions, should accept a special responsibility to reduce and eliminate import barriers. Agricultural policies that artificially but effectively close markets to more efficient producers urgently require review. Temptations to achieve trading advantage through discriminatory trading arrangements at odds with broader international obligations should be resisted, for they can only be divisive and provoke protectionist reactions elsewhere. The important efforts underway to open markets more freely to the poorer countries, and to free aid from special procurement restrictions, can succeed only as all industrial countries are ready to cooperate fairly and fully. In the best of circumstances, the way ahead will not be smooth and easy. The danger is that we all could be swept into a self-defeating spiral of efforts to defend particular interests. The only answer can be to reassert—forcefully and widely—the primacy of our strong mutual interest in freer and multilateral trade.

IV

In the international financial area, our successes in reducing restrictions and freeing markets have brought a different set of problems. International flows of liquid funds have become enormous. They are highly sensitive to differences in cyclical circumstances and monetary policy in individual countries. As a result, independent national monetary policies must often work within narrow limits. At the same time we have learned that gradual divergences of trends in costs, prices, and incomes can, over longer periods of time, produce exceedingly difficult problems of balance of payments adjustment.

It is in this context that I welcome the very useful "Report of the Executive Directors on the Role of Exchange Rates in the Adjustment of International Payments." That report, and the discussions that have contributed to it, have done much to clarify and advance our thinking. Indeed, I believe it is fair to say that, while important differences of opinion remain, the report rather clearly points toward an evolving consensus of official thinking in important respects.

The authors wisely emphasize the value of a broad stability in exchange rate relationships and practices. At the same time the report seems to me to recognize that there are circumstances in which more flexible techniques and practices, within the general context of the Bretton Woods system, could make a practical and useful contribution to maintaining the basic conditions for free trade and orderly markets. For the present, judgment is suspended as to the desirability or form of a particular amendment to the articles to define more specifically the range of possible and desirable actions.

These conclusions imply, I believe, a desire to test the possible need for formal amendments against the evolving situation. We will be particularly interested to see whether national and Fund decisionmaking, within the considerable latitude of the present articles, can and will benefit from the new thinking and new techniques reflected in the report. The Executive Directors may also want to examine more precisely the forms an amendment might take, should our objectives and experience subsequently make it desirable to move in that direction.

As I indicated a year ago, I do not believe the techniques of limited exchange flexibility can provide any kind of a substitute for effective policies on our part to deal with our inflation and balance of payments. As in the past, the dollar must be strong and stable to play its key role in the monetary system, alongside gold and, now SDR. I know of no exchange rate mechanism that can change that fundamental need.

V

President Nixon only last week in a special message to the Congress stressed the determination of the United States to respond positively to the challenge of reshaping foreign assistance to meet the needs of the 1970's. As a fundamental part of sweeping changes in the U.S. approach to development finance, he emphasized our commitment to an increasingly multilateral approach—the approach epitomized by the World Bank Group. We aim to increase substantially our support for the international lending institutions. Our remaining bilateral development assistance will be restructured, with the objective of concentrating more fully on longer-range needs and working more closely with other providers of funds.

I am glad to report that major legislation is already progressing through the Congress that will help flesh out these intentions with fresh commitments of funds to the World Bank, the Inter-American Development Bank and its Fund for Special Operations, and the Asian Development Bank. We plan to submit legislation for IDA replenishment early in the next session.

The new thrust of our own program helps highlight some emerging problems of foreign aid programing. It is commonplace today for a primary donor to be joined by other country donors—for one institution to work with or through sister or companion institutions—and for official assistance to take place side by side with private sector participation. These efforts of donor countries must be integrated with the critically important efforts of the developing countries to enlarge their own savings and to employ them effectively. Rising debt burdens among many developing countries need to be appraised, and the implications more consciously considered, before crisis situations disrupt the development process.

These and other elements bearing upon the question of an appropriate level and composition of development lending are further complicated by the long-time horizon in generating fresh flows of resources. For instance, the initial planning for the IDA replenishment took place in 1969. The approval process is not likely to be completed much before 1972. The funds will not be fully committed until 1975, and the disbursements will extend into the early 1980's.

In the face of these complexities and the long-time perspective, we cannot escape the requirement for longer range planning. We want to retain the strength that flows from the diversity and flexibility inherent in a variety of aid sources. Nevertheless, we do, it seems to me, need a better framework for setting priorities, for assessing available resources against needs over a period of years, and for dividing responsibilities sensibly.

With its special competence at the center of development finance, the World Bank has properly begun to provide some of the elements essential to a sensible planning process. I refer particularly to its long-range country studies and expanded program for economic missions. I hope the Bank will build on these efforts, collaborating closely as desirable with the Fund, the regional financial institutions, United Nations and other development agencies, and individual donor countries. Obviously, planning alone cannot meet the needs of the 1970's.

The multilateral institutions must be able to demonstrate their capacity to use sharply augmented funds effectively and with appropriate balance if they are to retain the support of sometimes skeptical legislatures. For that reason I welcome the efforts of the Bank to broaden the scope of its internal auditing activity and to work toward better measurement of achievements against goals.

Our own progress in channeling more aid through the multilateral institutions will be dependent upon willingness of other countries to keep pace, thus appropriately spreading the burden. The broadening contributions to the Special Funds of the Asian Development Bank, the search for a satisfactory mechanism for special contributions for the African Development Bank, and the possibility of added members in the Inter-American Development Bank, all open new opportunities.

I must also emphasize the importance we attach to enlisting the full energies of private citizens—whether in donor or receiving countries—in the development process. We look to the International Finance Corporation to play an increasing role. We would also urge an early agreement to proceed with an international investment insurance agency, and I hope that it will have support from both investing countries and developing countries.

Finally, the President has made clear that the United States is ready to participate fully in those important aspects of development policy—including untying and generalized tariff preferences—that complement financial aid. I would note particularly his proposal for a U.S. International Development Institute. The Institute would focus precisely on those areas—including population planning—where technological breakthrough could potentially contribute enormously to the development process.

VI

In reviewing the challenges that seem to press in on us so strongly from many directions, I am struck by the interaction among them. The problems of inflation, exchange markets, trade, capital movements, and aid cannot be kept in tight compartments.

The Bank and the Fund were founded on a vision of a free and prosperous community of nations, each sharing fairly in the enormous benefits that flow from multilateral trade, financial stability, and rapid development. That vision of the common good must shine as brightly today if it is to guide our way through the maze of difficulties before us. My country means to do its part. We mean to do so first of all by restoring a balance in prices, production, and income in our own economy. We propose to provide our fair share of assistance, public and private. We want to pay our way by competing fairly in world markets—and we expect markets to be open to us.

I believe these are goals that all can share. And, by working together, they can be achieved.

Exhibit 45.—Address by Secretary Kennedy, November 24, 1970, before the American Jewish Committee, New York City, on "Trade Expansion—The World at a Crossroads"

There are a few comments I would like to make on the economy before discussing some of the serious international trade problems which this country faces.

There is no doubt in my mind that we are making progress in reducing inflation and restoring economic stability. The administration's monetary and fiscal policies—characterized by strong restraint initially, then followed by the current moderation—have made significant inroads against rising prices. Although consumer prices continue to rise, the rate of increase has been reduced. From a high of approximately 7 percent in the first 3 months of this year, the rate has dropped to a little more than 4 percent in the last quarter. This is a favorable trend and one which we expect to see continued in the coming months despite the October increase of 0.6 percent.

After marking time during the fourth quarter of last year and the first quarter of this year, the economy began to turn around in the second quarter of 1970 and continued upward at a more substantial rate in the third quarter. With a settlement of the General Motors strike, the prospects for growth after this current fourth quarter are quite promising.

In addition to moderating inflation and restimulating economic expansion, the administration's policies have made very signficant progress in resettling financial markets. Interest rates, especially at the short end of the spectrum, have returned to more customary levels. Three-month Treasury bill rates, for example, now hover around 5½ percent where they were above 8 percent less than a year ago. In line with this general readjustment, the rediscount rate was recently reduced to 5¾ percent, the first such reduction since August 1968.

Similar progress has been made in all longer term Government issues. Yet progress has by no means been as spectacular as experienced with the short-term rates.

Rates of private debt instruments have also moderated over the past several months. Since reaching a high in June of this year, corporate bond rates dropped roughly 90 points in the ensuing 5 months. New municipal bonds experienced a similar reduction in rates and now stand a full percentage point below their peak levels in May of this year.

On the housing front, mortgage rates continue to be high with little noticeable improvement. Yet the trend is, if anything, downward. And a continuing expansion of the money supply should add to this trend in the coming months. I might recall here that savings and loan associations experienced their greatest influx of funds in September in many, many months.

I think the longer term trends in prices, output, and interest rates are becoming increasingly obvious. While excess demand has been eliminated as a result of the administration's policies, we still have far to go. Only half the battle has been won. We are now faced with pent-up wage demands coming on the heels of 5 years of inflation. Yet there are numerous factors working to affect the impact of large wage increases on prices, including better productivity performance.

Inflation, including its cost-push aspects, is not unique to the United States. Rapidly rising wages and prices are creating serious problems abroad, particularly in the United Kingdom and West Germany. The task of each of our governments is to find a way to control inflation without subjecting the economy to the straitjacket of controls or the pain of high and persistent unemployment.

This effort will bear heavily on the future of the international trading system, the subject I wish to discuss with you tonight.

In this area, too, we face a number of serious problems. In various countries, clamors for protective trade measures grow increasingly common. The forces of protectionism are on the upswing in the United States as well. In truth, we stand at a crossroads. The direction the United States and its trading partners take will determine, for many years to come, the nature of the international trading community.

As a point of departure, let us look back to the formation of the European Economic Community in 1958. The concept of the Common Market—providing for elimination of tariffs among the six member states and the creation of common external tariffs with the rest of the world—impressed the Eisenhower administration with the necessity of strengthening its authority to negotiate for trade liberalization.

The so-called "Dillon Round" of negotiations in 1961–62 did not lead to the substantial tariff reductions the administration hoped for, partially as a result of the limited negotiating authority granted by Congress. However, the act of 1958 obtained bipartisan support and thus was a major step forward, contributing to a greater willingness on the part of the Congress to grant broader negotiating authority to the Executive at the next stage.

By the time President Kennedy assumed office in January of 1961, it had become evident that the economic integration of Western Europe could prove prejudicial to certain U.S. export interests. It had also become increasingly evident that as European industries become better able to enlarge their operations and achieve economies of scale, they would become more competitive with the United States in European markets, throughout the world and even in the United States itself.

In an effort to further strengthen the United States negotiating position, President Kennedy proposed legislation that would have conferred upon the Chief Executive wide powers to determine the country's foreign trade policy. As suggested by the title of the proposed bill—The Trade Expansion Act of 1962—the emphasis was on trade expansion, with appropriate provisions for governmental asssistance in facilitating domestic economic adjustment to the effects of increased imports.

As enacted, the law authorized the President, for the first time since 1945, to reduce most tariffs by 50 percent and to eliminate certain U.S. tariffs altogether. These powers were granted until June 30, 1967. It was further stipulated that most of the tariff reductions would take effect in equal annual installments over a 5-year period.

The fourth of these installments in the so-called "Kennedy Round" is scheduled for January 1, 1971, with the final reduction to come on January 1, 1972. At that time the average tariff on U.S. nonagricultural imports other than mineral fuels will have been reduced 36 percent from the 1967 level; for the European Economic Community, the average reduction will be 37 percent; Japan, 39 percent; and the United Kingdom, 39 percent. Canada has already put into effect its final reduction and its average duty has declined 24 percent from pre-Kennedy Round levels.

A moment ago I stated that the emphasis in the Trade Bill of 1962 was on expansion. And that expansion has, indeed, been realized. In 1970 the dollar value of world trade among the non-Communist countries is likely to be more than twice as large as it was in 1963. The United States has shared fully in that growth. Our exports in 1970 promise to be more than twice what they were in 1963, and our imports are likely to be 2½ times as large.

This very rapid growth in the volume of world trade has brought great benefits to the trading countries in terms of more efficient allocation of the world's limited resources, lower prices and greater choice and availability of goods for the consumer. At the same time, their rapid growth has also brought with it necessary adjustments in trading countries, and in many instances these adjustments are difficult. The Government has a responsibiilty to ease that adjustment both for affected industries and the workers they employ. The trade bill sent to the Congress by President Nixon this year reaffirms that responsibility and includes a broadened and more effective program of adjustment assistance.

Yet protectionist sentiment continues to grow not only because of the problems encountered by certain domestic interests but also out of a belief that Japan and the European Community are not playing by the "rules of the game." The Japanese have maintained a comprehensive system of controls on imports, long beyond the time when such controls could be defended on balance of payments grounds. Looking across the Atlantic, the proliferation of preferential trading arrangements of the European Community and its common agricultural policy have adversely affected our trading interests and those of other areas; such as, Latin America, in which the United States has a strong interest.

The system of nondiscriminatory, multilateral trade which has provided important positive benefits to world economic growth is in jeopardy. We must ask ourselves whether the world is moving to a system of regional trading blocs in which nations seek short-term gains at the expense of the lasting and widely shared benefits which a truly multilateral system provides.

Every country, including my own, imposes various restrictions on trade to a greater or lesser degree. But I am less interested tonight in assessing blame than in suggesting that each of us take stock of how far we have come, where we are today, and where we are going in the future. Both the United States and its principal trading partners must ask whether we still share the same goals. And if we do, are we advancing those goals by our actions? My fear is that we may have lost the common vision that has provided such obvious and indisputable economic benefits for each of our countries since the launching of the reciprocal trade agreements effort over 30 years ago.

If this is the case, if indeed we are moving apart, if rancor is replacing cooperation and shared goals, then I fear for our future. At the very least, divisive trade competition and conflict will lead to a lower standard of living and a reduction in economic and employment growth for all of our peoples. We must instead move forward together—in the future as we have in the past—for then we can build upon the substantial gains we have earned through our joint efforts.

It is no use pretending that the way ahead will be easy. In the pursuit of defending local interests—and the United States intends to defend its interests—genuine and deeply felt differences in points of view among countries are likely to arise. I, for one, believe that these differences will be overcome only if this and other countries understand where our mutual interests lie and, if in practice, we are determined to realize them.

If not, if we move further apart, then tomorrow's world will look very different. Those of us who remember the dark days of the 1930's are well aware of what happens as each country pursues its own narrow interests to the disadvantage of

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its neighbors. My hope is that our certain knowledge of where discrimination and trade conflict lead will restore within each of us the determination to move together towards the nondiscriminatory reduction of trade barriers that has proven so beneficial to each of our countries in the past.

For Japan, this means an intensification of its efforts to remove its existing barriers and to recognize and act upon the serious adjustment problems which too rapid an expansion of its exports can create for other countries. For the European Community, it means limiting and ultimately phasing out its preferential arrangements, rationalizing an agricultural policy which encourages inefficient production at the expense of traditional suppliers, and fully taking into account the interests of third parties affected by the process of enlargement in which it is now engaged.

Finally, for the United States, it means rejecting harsh and arbitrary trade restrictions that would unquestionably lead to damaging retaliation and a general deterioration of international trade. The best approach would be the enactment of the President's moderate and constructive proposals. This nation must not retreat from its dedication to traditional trading policy and a determination to move ahead—with others—toward a balanced increase in world trade.

These are major and challenging tasks for ourselves and our friends abroad. But with vision, mutual good will and a general recognition of our common interest in an orderly expansion of world trade, I am confident we shall succeed.

Exhibit 46.—Statement by Secretary Connally, February 26, 1971, before the Joint Economic Committee

It is a privilege to appear before your distinguished committee. I would like briefly to develop and emphasize certain basic elements in the approach of the administration toward our economic problems. The elements will provide a focus for my own efforts, and I believe they will command widespread support in the Congress and in the country.

First, with sizable pools of unemployed workers and excess capacity, the main instruments of policy are properly turned toward encouraging and facilitating economic expansion. This approach is reflected in the willingness of the President to accept a deficit in the Federal budget during the current fiscal year and prospectively in fiscal 1972. It is also reflected in complementary monetary policies by the Federal Reserve.

Plainly, budgetary deficits would not be appropriate in a period of strong demand and low unemployment. Even now, with demands slack and unemployment high, it is important that we keep Federal spending within full employment revenues. The President's budget fully respects that limitation. Moreover, I am convinced that the planned deficits, resulting essentially from the recent sluggishness of the economy, can be financed without impeding flows of funds to other uses.

Second, while seeking strong and lasting economic expansion, we must continue to deal with remaining inflationary pressures. These pressures are mostly of the "cost-push" variety, reflecting an imbalance between rising wages and other costs and productivity growth. Renewed economic expansion should, at least for a time, bring faster than average productivity increases. This will help stabilize unit costs. But where practicable, we must also be prepared to act more directly in the interests of price stability. As you know, the administration has been moving in a number of specific areas to reinforce the disciplines of the market.

For the longer run, the persistence and extent of inflationary pressures underscore the need to find better ways of reconciling growth with price stability. This administration dealt forcefully and effectively with the overheating and excess demand pressures that characterized the late 1960's. By those actions, the groundwork has been laid for a better price performance, provided that renewed growth remains balanced and orderly. At the same time, we must press ahead with more specific measures that, over time, can help improve our longer term price performance. We must not shrink from necessary actions to improve the functioning of the labor market or to reinforce competitive pressures in markets for goods and services.

Third, we must recognize that we live in an interdependent world. Our actions and our performance have an important bearing on developments abroad, and we are, of course, affected by others. Points of strain and tension in these relationships are apparent.

The plainly unsatisfactory state of our balance of payments is one of the sources of strain. We fully recognize that this position needs to be strengthened. Unchecked, the present imbalances risk eroding the stability of the international monetary system and the fabric of cooperation upon which all countries are dependent. The result would be to impede the flow of trade and investment that underlies the economic prosperity of the free world.

We also know that there are no quick or easy answers to this problem, either for the United States as a deficit country or for the surplus countries which make up the counterpart of our deficits. What is plain is that we must carry out our own part of the responsibility for an improved structure of world payments. Most fundamentally, this requires orderly growth with price stability in the United States. Fortunately, this fundamental is consistent with our domestic objectives.

During the past year, the international monetary system has functioned well despite abnormally large movements of short-term funds in response to interest differentials. Our very large deficit on the official settlements basis mainly reflected outflows of banking funds, which reversed the inflows that had temporarily bolstered our position in the previous 2 years.

Coping with large swings in short-term flows may be a price that we have to pay for maintaining relative freedom of capital movements and some independence in national monetary policies in a world of convertible currencies. These swings and flows will, of course, decline to the extent that national economies can in the future move more in step with each other.

In conclusion, I am in no doubt as to the extent of the economic challenge before this country. We are embarking on a program of achieving simultaneously expansion and improved price performance. Success in those objectives will help our international financial position as well. We cannot afford to fail in this effort.

I accepted appointment as Secretary of the Treasury in the belief that we can meet these challenges and that the Treasury can play a large role in that effort. But the task is a very big one. It will engage the energies and the understanding not only of the Congress and the executive but of American business and labor as well. I am confident that we will not be found wanting.

Exhibit 47.—Statement by Secretary Connally, May 17, 1971, before the Subcommittee on International Trade of the Senate Finance Committee

I congratulate the Senate Finance Committee on establishing this Subcommittee on International Trade, and I welcome this opportunity to discuss with you the broad aspects of our international economic policies.

Mr. Chairman, in March you submitted to the Finance Committee a very thoughtful report concerning trade policies in the 1970's. You indicated that we are at a watershed. You said that in the future we must have both a change in direction and a change in emphasis in pursuing our foreign economic policy objectives. And you also stated that those changes in direction and emphasis had to be accompanied by a corresponding change in the means of pursuing our objectives.

I agree strongly with all of these conclusions. And in this prepared statement, I would like to take just a few minutes to underline that agreement, and to capsule the type of actions necessary both at home and abroad if we are to succeed in this important effort.

The road to good international economic relations is not a one-way street—no nation, regardless of power or prestige, can or should "call all the shots" for the free world community. Nor can we or others, in building a world order, expect to rely for long on the good will or largess of friends. We need to recognize that lasting cooperation among nations depends not on friendship in the personal sense, but on the solid base of national strength and national interest. By taking a long and broad view of our interests, and building on the elements of common needs and aspirations, we can expect strong allies in our endeavor to maintain a flourishing world economy.

To play our proper role in the new age to which you refer, there are things that we must do at home. Just as important, there are steps that must be taken by us and by our trading partners in building better trading relationships abroad.

For many years we had the luxury of competing with economies still recovering from war. We prospered during this period. Now circumstances have changed in the world. We must change to meet these new circumstances. A generation of ease and affluence enjoyed by labor and business alike—a period when our strength was so apparent that erosion in our competitive position was almost unnoticed—is over.

As we enter the 1970's, the relative economic strength of our major trading partners is abundantly clear. The European Economic Community is now the world's largest trading bloc, with large and persistent trade surpluses. The prospects are that its membership and economic base will soon be further expanded. Japan has achieved a truly remarkable rate of growth. It now records the second highest gross national product and among the largest trade and balance of payments surpluses in the free world.

The simple fact is that in many areas others are outproducing us, outthinking us, outworking us, and outtrading us. Analysis of trends in our balance of payments underlines this.

I do not refer just to the statistics for the first quarter of 1971, to be released today. Those results are bad. They depict a deficit of over $5 billion on the official settlements basis for the 3 months alone. The liquidity deficit exceeded $3 billion.

Clearly, that level of deficit is not sustainable. However, we should clearly recognize that the major cause of these extraordinary dollar outflows is transitory—interest rates here which are lower than those in Western Europe. That imbalance will be largely corrected as economies move back into phase.

What disturbs me more than the first quarter deficit is the underlying trend in our trade and current account position. Our trade surplus rose in the first quarter, but still ran below the rate for 1970 as a whole. More importantly, it remains far below the levels of the early 1960's, and below the amount we need to achieve an equilibrium in our balance of payments.

To keep pace in this world economy, our first task is to attend to our own economy. We must restore the stable, noninflationary growth that was disrupted by the domestic financial policies of the late 1960's.

We are well on the way down this difficult road. Our strategies for further containing inflation, while raising output and reducing unemployment, are working. In particular, we have begun to restore the base for a stronger international position; last year, unit labor costs in the U.S. rose only one-third as much as the average of our major competitors. This is heartening evidence of fundamental progress.

But the journey is far from over. We cannot afford to sit back and count on poor performance abroad. Thus, the remaining challenge before us at home is plain.

Our domestic economic strategy of balanced and sustainable recovery will help rebuild our trade surplus—but only slowly. In addition, we cannot hope to achieve a full measure of success unless markets are open to us and unless we are able to compete fairly with our trading partners abroad.

Indeed we must paint on a larger canvas than trade alone. We are now at a decisive point in our economic affairs. The challenge in foreign economic policy for the seventies involves three elements. First, the necessary mutual security arrangements for the free world must be maintained in full concert with our allies, with a fair sharing of the burden. Second, multilateral cooperation must be broadened in the financial and development assistance areas. Third, the efforts to foster increased competitiveness in our economy must be actively pursued in the context of fair and liberal trading arrangements.

It is this last area that seriously concerns this committee today. I believe we have legitimate complaints about some of the practices of other nations—now in a strong position—that have the effect of blunting our competitive effort. Twenty years—even a decade—ago, these practices might have been understandable. I believe the strength of other nations should now permit new initiatives to break down these barriers.

I do not want to be misunderstood. I am "not" pleading with other nations to reduce barriers and open markets in return for what the people of the United States have done for them in helping to recover from the ravages of World War II. My point is simply that today we are in a different world—and there is a common interest in achieving new and balanced trading relationships.

Mr. Chairman, there is another area—in addition to efforts by our Government and by governments abroad—in which a new approach is necessary. I refer to the private sector.

Bluntly stated, the statesmanlike leadership that the President of the United States has evidenced in dealing with this Nation's foreign and domestic problems has not been correspondingly matched in the private sector. This is a time for the private sector to do everything possible to hold down the rise in labor costs, to avoid unnecessary increases in interest rates, and to speed the return to price stability.

It is time for Americans to realize that stronger efforts have to be made to raise productivity. We find it too easy to blame the Government when in fact we are all part of the factors which govern the course of our economy. Labor and business have a bigger stake, a larger voice, and a stronger hand in this economy than Government does. It is now time for them to use that strength constructively.

Our trading position shows that we will have to work harder just to maintain our position. This nation—its industry and its labor—must help redress the decline in our competitive position and improve our economic performance in foreign markets. Government should help when necessary and appropriate with credit support, by fair taxation, and by promoting our technological leadership. This is why the administration has strengthened the Export-Import Bank activities. This is why we will resubmit our proposal for a Domestic International Sales Corporation, changing tax treatment of exports in a way to awaken our companies to the opportunities abroad. And this is why I am distressed at the reduction in Federal expenditures on research and development.

Now, I realize that there may be a tendency to think, or at least hope, that our international financial problems can be taken care of by some sort of monetary magic. Nothing could be further from the truth. Money itself cannot produce, increase efficiency, or open markets abroad. Our monetary system functions well only as the economy as a whole functions well. A dollar is not just a piece of black and green paper with George Washington on one side and a big "ONE" on the other. That little piece of paper represents and reflects the economic vitality—or lack of it—of this country.

When this administration calls upon businessmen, labor leaders, and bankers to put their respective shoulders to the wheel and work together for the common good, we may run the risk of being described as old-fashioned, for what I am calling for is a return to the principles of hard work and responsibility—principles that are reflected in high and rising levels of productivity. Productivity, in its broadest sense, is truly "the name of the game" in the hard competitive world of international trade. I do not at all mind being called old-fashioned when the standard of living of the American people—their personal and economic security—is at stake.

At the same time, the private sector, from whom I am calling for renewed effort, has every right to expect and certainly should receive a more attentive interest and a more insistent effort in protecting our economic and financial interests around the world.

Exhibit 48.—Letter from Secretary Connally, May 19, 1971, to the President of the Senate, transmitting legislation to provide for increased participation by the United States in the International Development Association. (An identical letter was sent to the Speaker of the House.)

Dear Mr. President: There is transmitted herewith a draft of a proposed bill, "To provide for increased participation by the United States in the International Development Association."

The International Development Association, a member of the World Bank Group, concentrates upon concessionary lending to the least developed nations of the developing world. The draft bill would authorize the United States Governor of the Association to agree on behalf of the United States to join 22 other countries in a $2.4 billion replenishment of IDA resources of which the United States share would be $960 million, to be contributed in annual installments of $320 million over a three-year period.

In several recent messages to Congress, President Nixon has emphasized that multilateral lending institutions should play an increasingly larger role in the provision of development assistance. The President has adopted this policy because multilateral institutions offer the major benefits of (i) pooled resources provided by donors on an equitable basis, (ii) a joint responsibility for the allocation of resources relying on economic criteria in the provision of assistance, and (iii) the bringing of experience and expertise of many countries to bear on the problems of development. Our participation in the third replenishment of IDA resources will constitute a significant step toward fully realizing these benefits and implementing this policy emphasis.

The International Development Association in ten years of operation has become a major source of development financing, utilizing multilaterally pooled funds from the major donor countries for lending on concessional terms. The Association, which now has 105 member countries, is a unique vehicle for international cooperation in development and has made and continues to make a significant contribution to raising the standard of living of the people in the developing countries. Its development credits have provided urgently needed financing on terms which take account of severely limited external debt-servicing capacity.

The Association has an outstanding record of achievement. It has given particular emphasis to areas of vital concern to the people of the developing nations. Over one-third of all new IDA credits last year were in the field of agriculture, with special attention being given to increasing output and earnings of small holders through irrigation, use of high-yield grains, and new and expanded institutions to channel investment credit to individual farmers. These credits are bringing under cultivation or improving more than 22 million acres for agricultural purposes.

Lending for educational purposes has focused increasingly on restructuring educational systems to be more relevant to the needs of the people, and has stressed secondary, technical, and vocational training. In this connection, IDA projects are constructing, expanding, and/or equipping 627 general secondary and specialized training schools, 52 teacher training colleges, and 8 agricultural universities.

IDA credits have, in addition, made major contributions to improving and expanding road networks, port facilities, railways, electric power generating capacity and transmission, water supply systems, telecommunications, and industry. In total, during the first decade of IDA operations, the Association extended 221 development credits for a net total of $2,773 million in 55 countries.

IDA financing is thus assisting the economic growth of the developing world by helping create or improve the economic and social infrastructure of developing countries which is essential for meeting their present and future needs. Yet, much still needs to be done.

To deal with these needs, IDA operations have expanded greatly in the past year—new credits in fiscal year 1970 were made to 56 countries for $606 million, as compared with 38 countries for $385 million in fiscal year 1969. The original subscriptions, amounting to $746 million in convertible currencies, together with those resources made available to the Association in the first replenishment ($750 million) approved in 1964, the second replenishment ($1.2 billion) approved in 1969, and from all other sources, will be fully committed by June 30, 1971. An expanded replenishment of IDA resources is therefore essential.

Consultations began among the developed member countries of IDA—the so-called "Part I countries"—in December 1969, resulting in agreement among potential donors in June 1970. On July 21, 1970, the Executive Directors agreed to submit to the Board of Governors a report and draft resolution entitled, "Additions to IDA Resources: Third Replenishment", embodying the understanding reached among donors. The proposed legislation which I am submitting today would permit the United States to contribute to the third replenishment in the amount recommended in that report.

Under the report and draft resolution, 18 Part I countries, 3 Part II countries (Ireland, Spain, and Yugoslavia), and 1 non-member country (Switzerland) would make available a total of over $2.4 billion, payable over a three-year period in equal annual installments beginning on November 8, 1971. The United States share would total $960 million or 40 percent of the total to be contributed by all countries, continuing the U.S. share at the reduced level achieved in the second replenishment negotiations. The very substantial contributions of other countries totalling $1,440 million demonstrates the important burden sharing advantages of providing development assistance through IDA.

In order to better reflect the relative share of each Part I country in total IDA financial contributions upon completion of the third replenishment, but without reducing the Part II countries' relative voting power, certain adjustments in country voting power are to be made. These would result in a slight reduction in U.S. voting power, from 25.28 percent to 23.87 percent.

In addition to the resources which would be made available under the third replenishment resolution, the Board of Governors approved at its September 1970 annual meeting a transfer of $100 million from fiscal year 1970 net earnings to IDA. The Bank has made annual transfers from net income in the form of grants each year since 1964. With the additional transfer of $100 million, the 7-year total transferred to IDA amounts to $485 million; further Bank transfers to IDA are expected in future years. Together with the resources which will become available from the third replenishment, IDA will have sufficient resources to permit commitments at a reasonably even pace over the years 1971 to 1974.

The draft legislation would enable the United States to advance this joint effort, involving over 100 countries, to accelerate economic development, raise living standards and promote social progress. Because of its importance to the development effort and to our own national objectives, IDA has, since its inception, enjoyed strong bipartisan support from four Presidents and from the Congress. This support has been demonstrated by Congress' approval of our original participation as well as two replenishments of IDA's resources. IDA's record of achievement merits continued strong bipartisan support. I respectfully request prompt and favorable consideration of this priority proposal.

A Special Report of the National Advisory Council on International Monetary and Financial Policies on the Proposed Third Replenishment of IDA Resources will be transmitted separately to you and to the Speaker of the House of Representatives.

It would be appreciated if you would lay the proposed bill before the Senate. A similar proposal has been sent to the Speaker of the House of Representatives.

The Department has been advised by the Office of Management and Budget that there is no objection to the submission of this legislation to the Congress and that its enactment would be in accord with the program of the President.

Sincerely yours,

John B. Connally.

The Honorable Spiro T. Agnew
President of the Senate
Washington, D.C.

Exhibit 49.—Remarks by Secretary Connally, May 28, 1971, at the international banking conference of the American Bankers Association, Munich, Germany

The opportunity to participate in this monetary conference has been of great value to me. It is a privilege, and I'm greatly honored by the invitation to share some of my thoughts with you at this closing session. The hospitality of our Bavarian hosts is alone enough to make it worthwhile being here.

But we are here on serious business at a serious time. We are aware of the strains upon the monetary framework upon which we all depend to carry on our international commerce. These monetary tensions are a warning. Elements of international monetary cooperation, built with so much effort in the postwar period, are being questioned.

There are also questions about the direction of our policies in the United States. I intend to deal with these questions openly and frankly lest doubts corrode our purposes and our success. Most importantly, we need to recognize that the disturbances on the surface of the exchange markets are only symptomatic of deeper issues of national and international economic policies.

No group is more aware than bankers that our post-World War II prosperity has relied on the close integration of the world economy and money markets. We have seen nothing less than an economic revolution with benefits widely shared.

In our exhilaration over the gains, let us not forget that there are costs. Rapid progress in trade and investment has meant vast changes—changes with an uneven impact. As a result, particular industries and even entire countries face difficult adjustment problems. By definition, an allied international economy implies some squeeze on independent national action. Basic elements of economic and political power, and responsibilities for leadership, have drastically shifted since the main outlines of postwar policy were shaped a generation ago. We must recognize, respond and adapt to these new realities.

Internal stability and social tranquility are legitimate goals of every society, yours and mine. But along the road there are temptations. It is easy to understand how one country or another can be tempted to shirk its responsibilities to the international community, including the maintenance of monetary order.

A stable monetary order requires nations to know and accept the "rules of the game." But let us not confuse cause and effect. It has been wisely said that money is but a veil. Monetary disturbances could help speed the processes of economic nationalism and disintegration. But we would be unrealistic to anticipate workable monetary solutions for essentially nonmonetary problems.

There is no magic that can reconcile incompatible objectives. Money is not a substitute for productive efficiency and competitive strength. It cannot assure fair and equitable trading conditions. The plain danger is that, by expecting too much from the monetary system alone, we may fail to address the underlying need for change in other aspects of our economic life and policies.

What matters most is the spirit and attitude we each bring to this task. Here, I believe we in the United States have a special responsibility to make our approach and intentions crystal clear. I hope I do so.

Our economy is large and rich. We have a high level of trade. Our markets are relatively open. Our currency is a world currency.

Obviously, what we do matters a great deal—not just to our 200 million citizens but to others as well. The manner in which we in the United States pursue our interests is crucial to any effort of the world community to move ahead together in a constructive, cooperative way. What can be expected of the United States in the years ahead? That early patriot, Patrick Henry, once shrewdly observed, "I know of no way of judging the future but by the past." If there are those who doubt our basic intentions and motivations, I commend that standard to you. You will find, I believe, our record to be a proud and constructive one, aimed not at dominance but at mutual growth and strength.

Even before the end of World War II—with the cooperation of many, but primarily with American initiative and support—the foundations of the present monetary system were set out at Bretton Woods. Today, only monetary historians may recall that this approach was not adopted without a struggle. An important segment of American opinion favored the so-called key currency approach. Arguing essentially that the economic ascendancy of the United States justified enshrining a kind of informal dollar-sterling standard with other currencies assuming a more or less permanent subsidiary role.

But policymakers embraced another line of thought. It led to the International Monetary Fund—a thoroughly multilateral system with proportional participation and voting by all members.

The same issue was posed—and answered in the long debate over the introduction of Special Drawing Rights. Again the United States joined enthusiastically in a deliberate decision to seek a broader, multilateral base for reserve creation, building on the mechanism of the IMF.

I recognize, of course, that the monetary system established at Bretton Woods did not abrogate the reality that the United States emerged from World War II as the principal producer of many goods in a war-shattered world. Our allies and former enemies alike lacked the financial resources to buy those goods or rebuild their economies.

Our interests and compassion combined to provide vast resources devoted to reconstruction through the Marshall Plan and otherwise. New trading arrangements were put in place and codified in the General Agreement on Tariffs and Trade.

The competitive recovery of other countries was speeded by a series of large devaluations of other currencies in 1949 and thereafter. We came to acquiesce in restrictive practices by many countries. Investments by our industry overseas were strongly encouraged by our tax and other policies. And, as the need for financial assistance tapered off in Europe, we pioneered in assistance to the developing world. At this point, there was a shortage of, and a cry for, the U.S. dollar.

I recite this brief record not to elicit either praise or thanks. My point is simple. We have consistently felt through the years that our basic national interest lies in an outward orientation of economic policy—alert and responsive to the needs of others.

Today: The U.S. continues as the major capital exporter; we make heavy outlays for defense costs in Europe; the aid burden remains large, despite increasing participation by others.

As any nation, it might have been possible for us to redress our payments balance sharply and decisively by turning inward: By heavily protecting our markets; by sharply cutting our aid; and by retreating into a "Fortress America." But we refrained.

Our markets have remained among the most open in the world in the face of massive increases in imports. We have supported the growth of the Common Market despite its commercial and economic costs. We led repeated efforts to cut tariffs multilaterally while continuing to accept the pleas of Japan and the Common Market that major areas of their economies should be shielded from international competition.

I leave it to others to judge whether the policies of the United States for more than the past quarter century have been benign. But I submit they have not been policies of neglect.

We are now dealing with not one but two problems simultaneously in the interest of the monetary system and, more broadly, a liberal trading order. I refer first to our underlying deficit—running at $2 to $3 billion a year. The second problem is one of enormous short-term money flows. In a sense, it grows out of the success in achieving broad, fluid, and integrated international capital and money markets throughout the free world. But now we see signs that the child of success is threatening the mother that nurtured it—the system of fixed exchange rates and freely convertible currencies.

Neither of these problems is uniquely American. We must all be concerned with the stability of the system and the stability of the dollar that is a cornerstone of the system—whether we planned it or not and whether we like it or not.

The relevant issue is not to fix blame for how we got where we are—and then engage in destructive recriminations. We need a more constructive approach. Let us fix national responsibilities to deal with the problem now and in the future—responsibilities that can realistically be met because they are well rooted in present circumstances and present capabilities—not those of the first postwar decade.

Let us, too, identify and undertake those joint actions necessary to deal with short-term flows—without in the process tearing apart the essential fabric of the system and institutions that serve us all.

Our own responsibilities are clear enough. The largest trading nation and custodian of the reserve currency is properly asked to meet high standards of economic performance. Prosperity and price stability are essential ingredients of that performance. In the late 1950's and early 1960's we did achieve virtual price stability. Our current account reflected the benefits. I fully recognize that in more recent years our record has been a less happy one. But the fact is that we had the will and the courage during the past 2½ years to bring our inflation under control by stern fiscal and monetary policies. Specifically, we raised taxes, and in 1969 and early 1970 money was tighter and interest rates higher than in any time in the last hundred years.

The domestic cost has been heavy. Excess demand has given way to economic slack, low profits, and unemployment of five million people, more than the entire labor force of the Netherlands, Belgium or Switzerland.

Inflation has been slow to yield—but it is yielding. Now tight money and fiscal restraint have been replaced by ease and stimulation. In the circumstances, is this wrong? I think not. Certainly, it would make little sense to ask for high interest rates in the United States at the expense of more unemployment, and at the same time bless higher rates of interest abroad because other nations believe it is in their interest to use that weapon to combat inflation.

Inflation has contributed to the prolongation of our balance of payments deficit. But it is far from the only factor.

Specifically, we today spend nearly 9 percent of our gross national product on defense—nearly $5 billion of that overseas, much of it in Western Europe and Japan. Financing a military shield is a part of the burden of leadership; the responsibilities cannot and should not be cast off. But 25 years after World War II, legitimate questions arise over how the cost of these responsibilities should be allocated among the free world allies who benefit from that shield. The nations of Western Europe and Japan are again strong and vigorous, and their capacities to contribute have vastly increased.

I find it an impressive fact, and a depressing fact, that the persistent underlying balance of payments deficit which causes such concern, is more than covered, year in and year out, by our net military expenditures abroad, over and above amounts received from foreign military purchases in the United States.

A second area where action is plainly overdue lies in trading arrangements. The comfortable assumption that the United States should—in the broader political interests of the free world—be willing to bear disproportionate economic costs does not fit the facts of today. I do not for a moment call into question the worth of a self-confident, cohesive Common Market, a strong Japan, and a progressing Canada to the peace and prosperity of the free world community. The question is only—but the "only" is important—whether those nations, now more than amply supplied with reserves as well as with productive power, should not now be called upon for fresh initiative in opening their markets to the products of others.

Is it natural or inevitable that fully 30 percent of Japanese exports go to the U.S. market—or do restrictions in Europe help account for the direction of that flow?

After years of income growth averaging more than 10 percent, should not the Japanese consumer have free access to the products of the outside world?

Must Canada maintain tariffs on private purchases of U.S. autos at a time when a balance of payments surplus has resulted in a "floating" exchange rate?

Is it right that U.S. agricultural products find access to the densely populated continent of Europe increasingly limited?

I would suggest that all of these, and more, are proper matters for negotiation and resolution among us on a more equitable basis.

On the side of financial policy, I think we have all become more aware of the limitations placed on coordinated action by domestic policy requirements. Repeated reference has been made in this conference to the difficulties—with the best will in the world—of synchronizing international monetary and fiscal policies. The hard fact is that the business cycle is not uniform from country to country—indeed, it is perhaps fortunate that it is not.

In these circumstances it is still a dream—a worthy dream to be sure, but no more than that—to achieve a common level of interest rates. There are large disparities today—there have been before—and there will be again. If we are not all to take refuge behind a shield of comprehensive exchange controls or split exchange rates, money will move from nation to nation and often in larger volume and faster than we would like to see.

Here is a clear and present danger to our monetary system. We must reconcile the stability needed to facilitate trade and investment with the flexibility needed to cope with massive flows of funds, actual and potential.

I am convinced the solution cannot be one-dimensional. And I will not now attempt to set forth a finished blueprint for a comprehensive approach.

But two lines of attack seem to me both promising and potentially practical. In combination, they could go a long way. Flexibility is essential. This requires a certain elasticity in financing. Much has been done already on an ad hoc basis.

In the present situation the United States has made clear its willingness to help by absorbing some funds from the Eurodollar market or elsewhere, recycling these funds to the United States before they reach official hands abroad. The recent short-term borrowings of $3 billion by the Treasury and the Export-Import Bank are a case in point. In specific instances, additional dollar investment outlets tailored to the needs of central banks might have a useful subsidiary role. At the same time we have a right to anticipate that other central banks will not themselves add to the market supply of dollars by contributing to the multiplication of Eurodollars.

Further exploration of these matters needs, and is receiving, urgent attention. Moreover, in the interest of both equity and financial order, we must ask ourselves whether the Eurodollar market should be accorded a position free of supervision and regulation which we deny to our domestic banking systems.

Secondly, in the light of recent pressures, the question of codifying a degree of additional flexibility with regard to exchange rate practices is clearly relevant. De facto events have brought some elements of flexibility. But I doubt that any of us could be satisfied with the variety of responses to the imperatives of speculative pressures.

The danger is plain. To revert to the use of exchange rates as a supplementary tool of domestic policy is fraught with danger to the essential stability and sustainability of the system as a whole.

As time and events change, we must respond with a recognition of mutual needs and confidence. We all recognize there is no more room for monetary or economic isolation. It is to our mutual interest to work out the world's monetary problems so that trade and commerce may expand and thus support national needs.

Helpful to the solution of any problem is the understanding that there are necessarily some unalterable positions of any participant. Believing this, I want without arrogance or defiance to make it abundantly clear that: the Nixon administration is dedicated to assuring the integrity and maintaining the strength of the dollar.

We are not going to devalue.

We are not going to change the price of gold.

We are controlling our inflation. We also are stimulating economic growth at a pace which will not begin new inflation.

So far as other nations are concerned: We fully recognize you are not willing to live with a system dictated by the United States.

But, as you share in the system, we have the right to expect more equitable trading arrangements.

We also expect you to accept the responsibility to share more fully in the cost of defending the free world.

Finally: No longer does the U.S. economy dominate the free world. No longer can considerations of friendship, or need, or capacity justify the United States carrying so heavy a share of the common burdens.

And, to be perfectly frank, no longer will the American people permit their government to engage in international actions in which the true long-run interests of the United States are not just as clearly recognized as those of the nations with which we deal.

And it is with this understanding that I say to you that increased cooperation among us all must play a key role in maintaining a stable monetary system.

You can be assured that we will do our part.

Exhibit 50.—Remarks by Under Secretary Walker as Temporary Alternate Governor for the United States, May 11, 1971, at the 12th annual meeting of the Inter-American Development Bank, Lima, Peru

On behalf of our delegation I wish to express appreciation for the facilities extended by our host government of Peru. In this, the twelfth annual meeting of the Inter-American Development Bank, we are gathered in a country where so much of the history of Latin America has been forged.

History and change—these words have been very much in our thoughts as we have contemplated this meeting of the Board of Governors. It comes at a time when the international relationships of the United States are undergoing an evolutionary but nonetheless conscious and determined transition. The role of my country in world affairs has been responding to the new world environment and to new developments in the United States itself.

I wish to speak frankly today about this evolution and some of its implications, particularly with respect to the Inter-American Development Bank in the 1970's. Frank dialogue is essential in any meaningful discourse between partners. The United States continues to listen carefully to the voices of Latin America and we continue to work hard in trying to help meet her needs and concerns. In turn, we look to Latin America to be aware of and understand the changing role of the United States in the entire world community. Our domestic needs and priorities, as well as our worldwide responsibilities, of necessity, have a direct bearing on our relationship with Latin America. We must look at things as they are and will become—not as they are hoped to be.

The world of the 1970's is far different from the world of the 1940's. Western Europe and Japan have regained their economic vitality. New nations have emerged. Others have attained economic self-sufficiency. Rigid boundaries, geographic and otherwise, have given way to an interacting and interdependent world community of nations.

Domestically, the United States finds it necessary to do better in meeting urgent social, economic and environmental needs. These needs demand attention. In order to respond convincingly to expectations of our people at home the United States is carefully reordering its priorities, including those judgments relating to the level and nature of our international commitments.

Twenty-five years ago, the United States occupied a predominant position in world affairs. Over the years, that predominance has diminished—relatively speaking—as other nations have advanced. Today's world requires a partnership among nations. The responsibilities for building a better world society must be jointly shared. These new relationships will be accompanied by adjustments in U.S. attitudes and behavior, ranging across fields from international security to development assistance.

First and foremost, our capacity to maintain the new international posture that we seek will be importantly affected by our success or failure in restoring balance to the U.S. economy. Our strategy for success in this effort is correct and is working. We are well on the road toward meeting our domestic economic goals of increasing output, reducing unemployment and—of crucial importance—achieving reasonable price stability. Surely the actions we take to achieve our domestic objectives will have the sympathetic understanding of our trading and financial partners, for all nations stand to benefit from stability in the U.S. economy.

I do not wish to imply that the United States does not recognize its position of leadership in world affairs. Entering into partnerships is no subterfuge for disengagement. It is not a policy of neglect. It instead reflects a positive response to changing circumstances. The United States relationship with Latin America cannot and should not be insulated from these changes.

One of the more heartening evolutionary developments is the growing ability to count on major Latin initiatives in formulating development plans and priorities. Some of the larger Latin nations have reached a level of development where concessional lending is no longer critical. This has freed some of these scarce funds for other countries. In this Bank, repayment in hard currencies in the approved replenishment of special funds reflects the real progress that has been made and the ability of regional countries to assume a greater responsibility.

The United States, for its part, will seek to provide the resources appropriate to the development of the area, and the capacity of the lending agencies, as well as to our own domestic programs. I would be remiss, however, if I did not mention the growing concern of our legislators and the executive branch about our balance of payments problems and the scarcity of public financial resources to support our internal programs. We must, therefore, prove even more convincingly that the funds which could be used at home in the United States, but which are instead used for international development, are indeed leading to the economic and social progress we all seek. This means a clear demonstration that nations have truly taken on the commitment to mobilize domestic resources and help themselves.

In the emerging international stance of the United States, the IDB has a central role to play. Its demonstrated success in furthering sound development policies and practices gives us much confidence in the future. We intend to place increased reliance on it and on the other multilateral development finance institutions. Such institutions are effective vehicles for putting multilaterally provided resources to work and for leadership in promoting sound development policies among borrowing countries.

Let me add to my prepared remarks a further comment that seems appropriate at this time. The United States strongly supports the innovative and effective policies the IDB has followed. In our judgment the Bank has played and is playing a constructive and vitally important role in Latin American Development, a role which has enjoyed the guidance and support of a majority of its members. The Bank is responsive to contemporary Latin American needs and realities yet it does not ignore broader hemispheric considerations. While differences among national views inevitably occur in international institutions the only purpose served in perpetuating or accentuating these differences is, it seems to me, to impair the effectiveness of the institution and even threaten its existence. I hope that our positive view of the Bank's achievement and its planned direction is shared by a broad majority of my colleagues and that by word and action the confidence of the Latin American community in the Bank will be reaffirmed.

In his recent inaugural address, President Ortiz Mena chartered ambitious but attainable goals for the Bank. We are glad to see an appropriate balance struck between innovative development programs and internal consolidation. Our distinguished new president has the full support of the United States in making any changes that will improve the Bank's performance and its contribution to progress.

We think the Bank will want to encourage its members to make optimum use of their own domestic resources, and to take maximum advantage of external resources available in the form of public and private investment. I need not dwell on the debate regarding the role of private savings, internal or external. I shall simply observe that there is not enough official development assistance available to do the job alone. And I should add that the human and technological improvements that result from an inflow of external private savings can never be adequately represented with charts and figures.

Because of our belief that the private sector is a major dynamic element in any economy, the United States has indicated its willingness to provide appropriate financial support to an independent mechanism whose principal job it would be to foster domestic private enterprises in Latin America. It now remains for the Latin American members of the Bank to define with precision the objectives and structure of the new mechanism.

As I have already mentioned, the United States intends to give increasing emphasis to multilateral channels of finance. The benefits that accrue from them include: First, no one country's domination of the institution; second, a broader and more definite resource base; and, third, a pool of international economic expertise available for decision making. In our judgment, these are important arguments in favor of the Bank providing now for a meaningful form of membership for nonregional developed countries—and, of course, for the membership of Canada.

An expansion of the Bank's membership could foster a more outward-looking stance in the Latin American community in the fields of finance and trade. It would also enhance in manifold ways Latin America's links with the world beyond the hemisphere. The successful conclusion of the present work on this subject is of the highest importance if the United States is to be able to continue to rely on the Bank as the principal vehicle for channeling development funds to Latin America.

Mr. Chairman, these annual meetings are valuable gatherings where we can exchange views frankly on a broad range of subjects, as well as compare appraisals of the Bank's activities. We always look forward to the contacts and discussions that these meetings make possible with our fellow financial officials of the nations of the hemisphere. We wish the management and staff of the Bank well as, under new leadership, they address the problems of the coming year.

Exhibit 51.—Statement by Under Secretary Walker, June 4, 1971, before the Senate Foreign Relations Committee, on S. 748, a bill to increase resources of the Fund for Special Operations of the Inter-American Development Bank

Mr. Chairman, I am pleased to appear this morning in support of the administration's request for authority to contribute $450 million in each of the next 2 fiscal years to the Fund for Special Operations (FSO) of the Inter-American Development Bank (IDB).

These two annual contributions constitute the second and third FSO installments called for under the IDB replenishment agreement reached among the Bank's Governors in April 1970. They are the same amounts endorsed by this committee and by the House of Representatives last year but which were deleted by the Senate from H.R. 18306 in the closing days of the last Congress. Only the first annual installment of $100 million was authorized at that time.

Before speaking in greater detail about this specific request, I would like to do two things:

First, I would like to describe briefly the overall context of multilateral development financing through international financial institutions, of which our participation in the Inter-American Development Bank is an important part.

Second, I would like to comment on my recent experience as head of the U.S. delegation at the annual meeting of the Board of Governors of the Inter-American Development Bank in Lima, Peru, last month.

The broad case for a greater U.S. reliance on multilateral development institutions needs little elaboration before this committee, which has provided much of the congressional encouragement for the movement in that direction. At least eight arguments may be outlined in support of this multilateral cooperation:

1. *Burden-sharing.*—Multilateral agencies are the most effective means available for achieving an equitable sharing of the cost of development assistance.

2. *Multinational expertise.*—With a multinational staff, the international financial institutions have a pool of knowledge and expertise on development problems which no single country can provide.

3. *Assistance on basis of development need.*—The multilateral agencies allocate assistance on the basis of development need, relatively free of political

coercion and pressures often evident in bilateral lending between industrialized and developing nations.

4. *Collective judgment on development policies.*—The international lending agencies bring international influence on a collective basis to bear on recipient countries to maintain economic discipline and to follow generally acceptable development policies.

5. *Flexibility in imposing performance standards.*—The international financial institutions have broad flexibility to set performance standards and loan conditions because the institutions are not obligated to the foreign policy of any single donor.

6. *Promote open economies and fair treatment of foreign investment.*—The international lending institutions are an important force in developing more open and less restrictive national economies. The World Bank, for example, has a firm policy not to lend to countries which are not taking satisfactory steps toward adequate compensation for foreign capital investment that has been expropriated.

7. *Provide a shielding device.*—The international lending agencies relieve this nation and any other single donor country of undue responsibility for the economic development assistance of any one particular recipient country.

8. *Encourage self-help.*—The international lending agencies require developing nations to establish their own sound performance standards, solid programs, and reasonable development priorities.

These advantages were recognized and endorsed in the Peterson report on the future organization of U.S. development assistance efforts. This report formed the basis for President Nixon's foreign aid message of last September 15, in which the President said:

"International institutions can and should play a major creative role in the funding of development assistance and in providing a policy framework through which aid is provided.

"Such a multilateral approach will engage the entire international community in the development effort, assuring that each country does its share and that the efforts of each become part of a systematic and effective total effort. I have full confidence that these international institutions have the capability to carry out their expanding responsibilities."

Latin America offers a striking illustration of the possibilities for a policy of increased reliance on multilateral agencies. In the early 1960's, assistance from all multilateral institutions to Latin America was approximately $475 million annually. Within 10 years, such economic development assistance had tripled to approximately $1.5 billion (for the year 1970).

In contrast, our bilateral aid programs in Latin America have remained relatively constant. The bilateral programs—including AID loans and grants but excluding Export-Import Bank financing—amounted to about $420 million per year in the early 1960's, peaked at $584 million in 1966, and declined to $411 million in 1970.

A clear shift has already taken place, and will continue if the lending resources are provided to the multilateral institutions.

On the worldwide scene, a similar development has taken place. The annual level of multilateral lending to developing countries in 1970 was 3½ times its level of 10 years ago—$900 million in 1961 to $3.2 billion in 1970. At the same time, annual U.S. bilateral assistance (AID loans and grants) has declined to two-thirds of its 1961 level, from $2.4 billion to $1.6 billion currently.

The large volume of multilateral financing—cumulatively, $16 billion over the last decade—was, of course, carried on with the aid of resources drawn from all the members of the international institutions. Our own input of taxpayer funds to help make that volume of lending possible, however, was only $2.9 billion over the decade, or roughly 18 percent of the total. We supplemented these funds with guaranty authority of $924 million, which allowed private capital markets to furnish a major portion of total resources.

Even these brief statistics make it clear that (1) multilateral financing has the capacity to expand dramatically, and that (2) a very substantial leverage in terms of development financing results can be obtained if the United States takes up its fair share of the inputs by developed countries.

With the recent transmittal of the President's proposal for a U.S. 3-year contribution to IDA, the committee now has before it substantially all the authorization requests contemplated for fiscal year 1972 in the multilateral development field. (A very modest proposal relating to the African Development Bank may be presented to the Congress next spring, depending on satisfactory agreement between donors and the Bank.) Accordingly, I believe the committee is now in a position to weigh these multilateral proposals—along with the administration's bilateral proposal which it also has—as parts of a comprehensive whole.

Against this general background of multilateral development finance, let me comment now on the recent annual meeting of one of the major elements in the multilateral structure—the Inter-American Development Bank.

I am pleased to note that the U.S. delegation to the recent Lima meeting of the Bank was a strong one in congressional terms. One member of the Senate and five members of the House participated in the proceedings. I think it fair to say that a more frank exchange of views between the United States and Latin America—among the Latin American countries themselves—took place at this meeting than at any previous meeting.

For my part, I sought, both publicly and privately, to make clear that the United States intended to continue to help meet Latin American development goals. However, I stressed that we had to do so within the constraints imposed (1) by changed world conditions over the last two decades, and (2) by urgent and costly domestic demands for economic, social and environmental improvements in the United States.

This view meant that funds which could be used at home but which instead were allocated for international development had to be justified even more rigorously not only in terms of resulting economic and social progress, but also by a clear demonstration that recipient countries were making a maximum effort themselves.

It was noteworthy that many Governors representing Latin American countries went out of their way to reaffirm their conviction that the Inter-American Bank was playing a major constructive role in stimulating Latin American development. It was particularly gratifying that several of them in addition expressed public recognition and appreciation for the assistance provided by the United States notwithstanding all the other calls on our resources.

I believe we are seeing the beginnings of a new and more realistic Latin American appreciation of both the extent of and the limitations on U.S. performance in the development field. Another reflection of this phenomenon may be the substantially more positive attitude of the Latin Americans to the matter of broadening the Bank's resources and membership by bringing in new development country members.

I can assure the committee that the new President of the Bank, Antonio Ortiz Mena, is approaching the membership question, and other aspects of fundamental importance to the continued sound evolution of the Bank, in a very practical manner. This augurs well for the Bank's affairs in the period ahead.

To return to today's specific legislative request, I should review briefly the arrangement it is designed to support. The Fund for Special Operations is, of course, the window of the Inter-American Bank that extends loans on concessional terms in situations where Ordinary Capital financing is not appropriate.

Last year in addition to providing for a replenishment of the Bank's Ordinary Capital, the Bank's Governors agreed that the resources of the FSO would provide $1 billion and the Latin American members $500 million. This increase in resources is intended to permit the FSO to reach and maintain a lending level of $650 million or more in the period through calendar 1973. Such a level was determined by the Bank's Governors to be appropriate in the light of an appraisal of planning, economic growth and absorptive capacity factors in Latin America, as well as of the Bank's administrative capacities.

The schedule of contributions for the proposed increase in FSO resources calls for an initial installment of $100 million from the United States, payable this June 30 and two subsequent installments of $450 million each, payable by June 30, 1972, and 1973, with proportionate installment payments by Latin American members.

H.R. 18306 last year was approved by this committee in a form that would have authorized all of the required U.S. installments. As finally enacted, however, only the first installment of $100 million was authorized. The Congress recently appropriated as a fiscal year 1971 supplemental item, $50 million for the initial installment, and we are now engaged in an effort to obtain the remaining $50 million as a regular fiscal year 1972 appropriation in order to allow us to comply with the scheduled requirement.

It is essential to the continued operation of the FSO that the Congress authorize the balance of funds needed to implement the 1970 understandings. By the end of this calendar year, the available resources of the FSO will be almost all committed. The $100 million first installment already authorized, together with the first installment of the Latin American members, will not permit the Bank to carry out more than a quarter of its projected calendar 1972 lending program. There simply are not resources to fall back on in a fund of this type, so that the direct result of our failure to act would be a major reduction in the rate of loan commitments in 1972.

In fact, the effect of the uncertainty in U.S. action is already being felt in the Bank since orderly planning for development financing requires a substantial lead time. I should note at this point that 20 of the 22 Latin American members of the Bank have completed their necessary internal actions, but these cannot become effective unless and until the United States acts.

It has been clear that our financial assistance through the Inter-American Development Bank has been regarded by Latin America as major evidence of our continuing commitment to the welfare of that region.

In economic and social terms, failure to carry out the FSO replenishment would have a profound impact. To date, the FSO has extended over $2 billion for loans in the fields of agriculture, transportation, urban development, water and sewerage systems, electric power, industry and mining, education and preinvestment studies. FSO lending of almost $450 million in 1970, and its projected lending at rates in excess of $650 million in the next several years, make this Fund by far the largest single source for Latin American development financing on concessional terms.

Although the World Bank Group has thus far exceeded the annual levels of total lending in Latin America extended by the IDB, the great bulk of World Bank Group assistance has been on conventional rather than concessional terms, and both the World Bank and the IDB far exceed the annual level of U.S. bilateral lending in Latin America.

By any measure, therefore, the funds being requested today are of central importance to the maintenance of adequate external financing to support Latin America's own efforts to progress economically and socially. These efforts are substantial—almost $2 of Latin American funds match each $1 of IDB funds in Bank projects. And these new funds will, to a greater degree than in the past, be devoted to the needs of the relatively least developed Latin American countries.

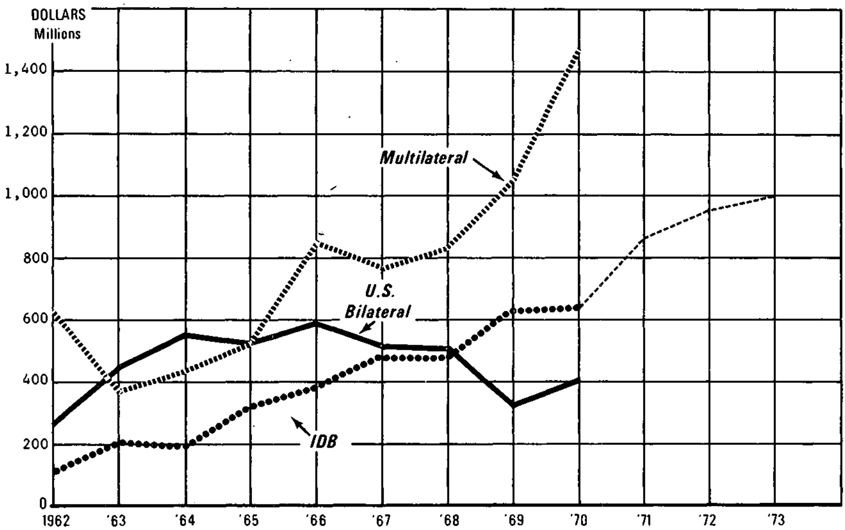
Although IDB needs these funds for prompt use in making new commitments, the impact of our contribution in terms of budgetary expenditure will be substantially delayed. This is because our contribution is made available in the form of non-interest-bearing letters of credit, which will only be drawn on later as disbursement needs arise. The near-term balance of payments effect of our contribution will also be minimized by this feature, as well as the fact that resources of the FSO may only be used for external procurement in the United States or in other member countries of the Bank.

Mr. Chairman, as a result of the absence of the necessary legislative authority to meet our pledges, the Bank has had to request its Latin American members to agree to a postponement of the date for acceptance of the FSO replenishment resolution. This is most unfortunate. If the present state of affairs is allowed to persist, two of the major features of multilateral financing will be severely harmed: First, the orderly planning of sound development programs that follows from the assurance of multiyear funding will become impossible; and second, the ability of the United States to negotiate convincingly in the future to obtain the type of policy changes won in connection with this IDB replenishment will be severely impaired.

I urge this committee to restore the situation on IDB financing to where you and we both expected it to be last year: In full support of the U.S. replenishment pledges made in 1970 and already accepted by the bulk of the IDB's membership. Authorization of the two annual contributions of $450 million to the Fund for Special Operations would accomplish that objective.

The dramatic shift in the burden of development finance from the United States to the multilateral lending agencies over the past decade is illustrated by graph 1. In the early 1960's, assistance from all multilateral institutions to Latin America was running about $475 million annually. By the opening year of the 1970's, such economic development assistance was at the rate of about $1,470 million, or more than three times the rate of a decade earlier. The IDB has increased its participation in the multilateral assistance to Latin America from 19 percent in 1962 to 43 percent in 1970. By contrast, our bilateral aid programs

U.S. BILATERAL ASSISTANCE TO LATIN AMERICA VS.
MULTILATERAL ASSISTANCE TO LATIN AMERICA



Source: AID and IFI Loan Statements
Note: Data are on multilateral loan commitment basis and AID program level basis. All data are in fiscal years except for IDB.

May 28, 1971

Graph 1

in Latin America—including AID loans and grants but excluding Export-Import Bank financing—amounted to about $420 million per year in the early 1960's, peaked at $584 million in 1966, and declined to $411 million in 1970. A clear shift has already taken place, and will apparently continue if the lending plans of the multilateral institutions are carried out.

Graph 2 shows the shift in leadership of economic development assistance to the developing world from the United States to the international financial institutions. Because other nations have increasingly shared the burden along with us, the international institutions have been able to increase their lending levels from a low in the decade of $910 million to $3.2 billion by 1970, surpassing the economic development assistance levels of the United States sometime in 1969. The expanding responsibilities of the international institutions can continue if each country does its share in providing the necessary funding.

From the Marshall plan days to the beginning of the last decade, our foreign development assistance has been increasing through bilateral channels. By 1962, our annual bilateral economic assistance levels have accelerated to nearly $2.4 billion. Graph 3 illustrates the clear shift that has taken place since 1962 of increased reliance upon international financial institutions to channel our economic development assistance. Our annual contributions to international financial institutions on a congressional appropriations basis nearly tripled during the decade to a level of $817 million by 1970, while our annual bilateral economic assistance levels declined by nearly 40 percent to a level of slighty over $1.5 billion in 1970. The definition of our bilateral economic assistance is defined as the total of development loans, technical assistance, Public Law 480, title 2, contingency and other economic development assistance fund expenditures.

Graph 4 illustrates the leverage or '"multiplier effect" of U.S. inputs to the multilateral development finance institutions. Because other nations share the burden along with us, the international financial institutions, in 1965 for example, were able to make $1,648 million in new loan commitments, more than three times the $518 million in support appropriated by Congress for that year and only $312 million of this was in actual cash commitments of the "U.S. taxpayer's money". The rest was in callable guarantee capital, none of which has been or is likely ever to be called. In 1970, the "multiplier" increased to 4.6 times our $686 million input when the IFI's made $3,169 million in loan commitments. And the "U.S. taxpayers" cost was much less, at $480 million, as $206 million was in callable guarantee capital.

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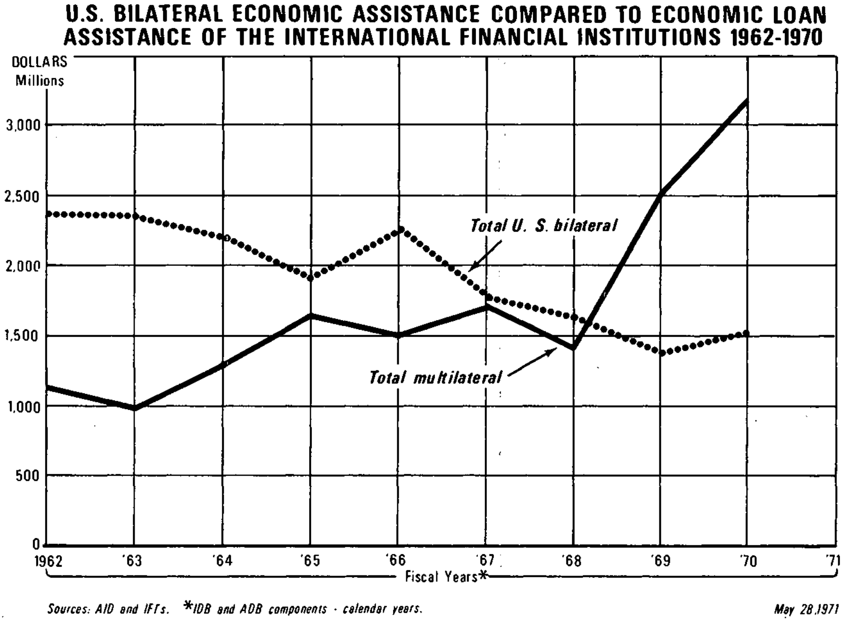
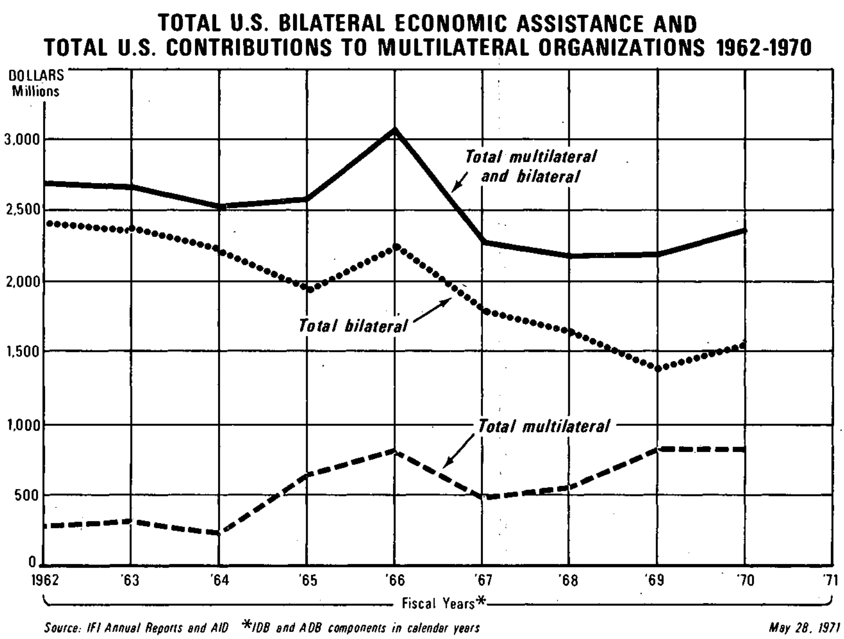
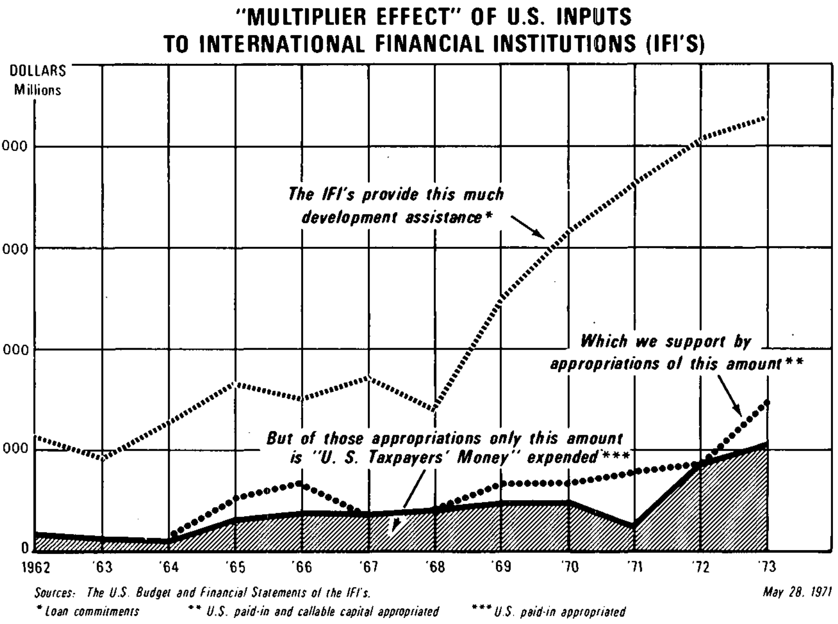


Graph 2



Graph 3



Graph 4

Graph 5 demonstrates that the callable capital of the IFI's is similar in its financial nature to the authorizations for OPIC (Overseas Private Investment Corporation). Congress has authorized OPIC to issue some $7,500 million in political risk insurance. In the unlikely event that much of this amount will be needed, it will have to be appropriated and paid.

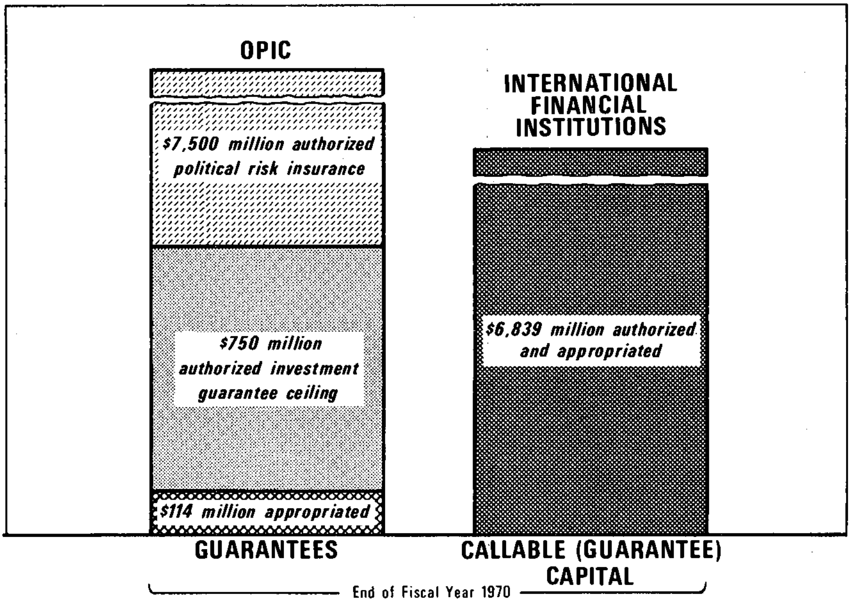
To assure the private capital markets of the full $6,839 million guaranteeing placements by the IFI's of their bond issues, Congress authorized and appropriated the full amount of callable guarantee capital. It is even less likely than with OPIC that the IFI's will ever need to call upon this guarantee capital, but this does not mitigate their requirement for guarantee capital to successfully place their bonds in private capital markets.

Graph 6 shows the relationship between callable (guarantee) capital and market borrowings for each of the IFI's. The IBRD has an available borrowing margin remaining of approximately two-thirds of its total callable capital and the ADB has really only begun to borrow against its callable capital. However, the IDB is in the serious position of having a remaining borrowing margin of only 10 percent of its callable capital, a situation which unless rectified will force it to stop making new loan commitments.

Although the IBRD has a more comfortable margin, the member nations have agreed to increase the Bank's callable capital, our share of which would be $221.5 million. The IDB is counting entirely upon its only developed nation member, the United States, for $136.8 million in callable guarantee capital against which it can borrow in the United States and other industrialized countries.

Graph 7 illustrates what would happen to the IDB loan commitment levels from the Fund for Special Operations and Ordinary Capital should the United States not be forthcoming with its planned contribution. The Fund for Special Operations entered the calendar year 1971 with a balance of $468 million; adding $40 million in repayments expected during 1971, the Bank would have to reduce its planned levels of commitments to $508 million. In the years 1972 and 1973 the FSO would only have available to it repayments of $60 million and $70 million, respectively. Similarly, Ordinary Capital lending would have to be reduced to $224 million from the planned $305 million lending levels anticipated for the current calendar year should the United States not make its contribution. The Bank entered the current year with a balance of $67 million in Ordinary Capital, is expecting another $59 million in repayments on Ordinary Capital loans and has the capacity to borrow $98 million based upon the callable guarantee capital remaining. For 1972 and 1973 the Bank would have to rely solely upon repayments of $74 million and $79 million, respectively.

CONTINGENT LIABILITIES OF THE U.S. GOVERNMENT ALLOCATED TO DEVELOPMENT ASSISTANCE

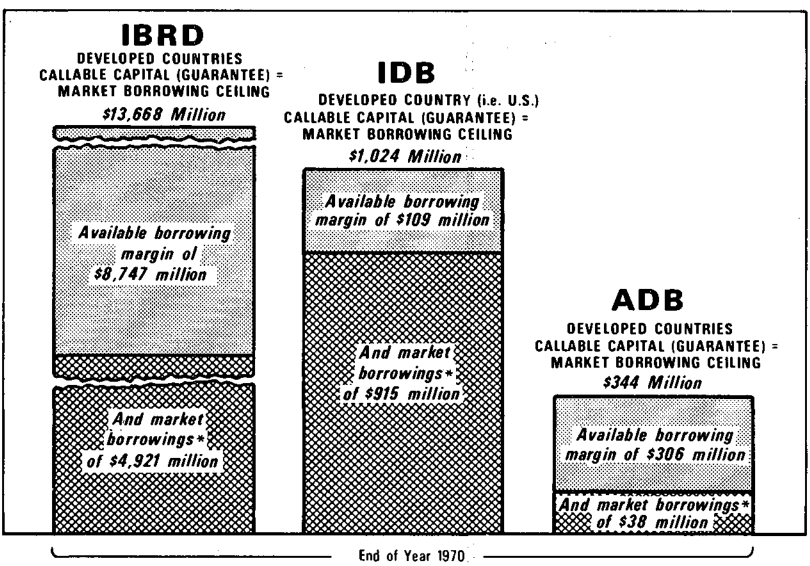


Sources: U.S. Budget and AID

May 28, 1971

Graph 5

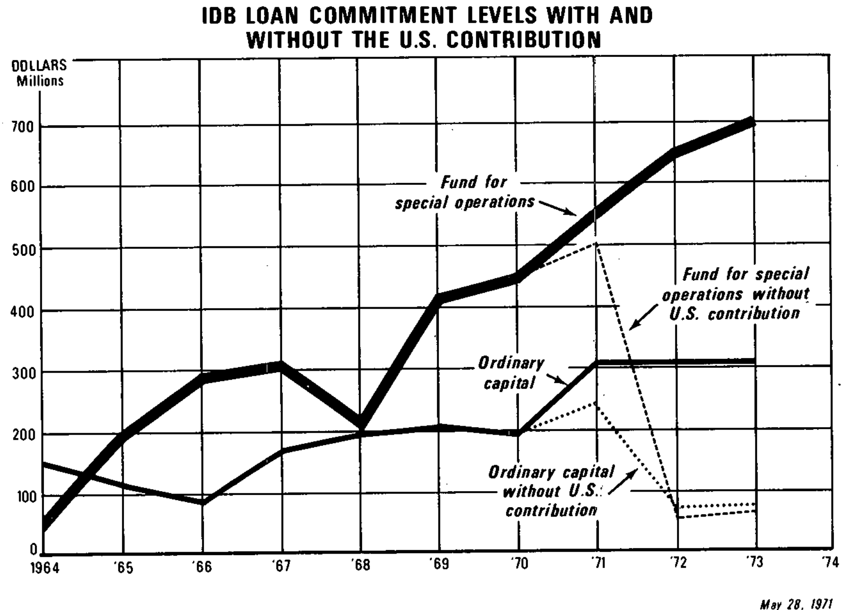
CALLABLE (GUARANTEE) CAPITAL OF INTERNATIONAL FINANCIAL INSTITUTIONS



Source: International Financial Institutions *Funded debt outstanding

May 28, 1971

Graph 6



Graph 7

Exhibit 52.—Statemet by Under Secretary Walker, June 8, 1971, before the Subcommittee on Foreign Operations of the Senate Appropriations Committee, on fiscal year 1972 appropriations for international financial institutions

Mr. Chairman and the members of the subcommittee, my associates and I have come here today to give you a broad picture of the fiscal year 1972 program of appropriations requests for the international financial institutions.

Let me begin by commenting on two matters that are broader still: First, the priority in our national economic planning that should be given to international development financing as a whole in a period marked by intense competition among priorities; second, the relationship between current legislative actions and our international negotiating posture with regard to multilateral development finance institutions.

I can well understand how some could ask why, when domestic needs are so great, the United States should be providing substantial sums to help meet problems in other lands. The brief answer is that in a world community where goods, people, and ideas travel as rapidly as they do, no nation's concern with other nations can stop at the border. Neglect today may generate situations that demand our attention tomorrow, and at higher cost. All mature nations now recognize the need to help the poorer nations of the world in their efforts to improve economic and social conditions. And, in relative terms, we no longer lead among the affluent nations in meeting our responsibilities in this regard.

President Nixon's recent proposal for reshaping our foreign assistance effort reflects the continuing high priority this administration assigns to development assistance.

It is a positive program designed to reverse the undesirable downward trend that has characterized our assistance effort in recent years. In reversing this trend, the President foresees a significant shift toward greater reliance on multilateral banking channels, with resulting improvements in the effective impact of our resources.

At least eight arguments can be outlined as the rationale in support of this shift toward multilateral cooperation:

1. *Burden-sharing.*—Multilateral agencies are the most effective means available for achieving an equitable sharing of the cost of development assistance.

2. *Multinational expertise.*—With a multinational staff, the international

financial institutions have a pool of knowledge and expertise on development problems which no single country can provide.

3. *Assistance on basis of development need.*—The multilateral agencies allocate assistance on the basis of development need, relatively free of political coercion and pressures often evident in bilateral lending between industrialized and developing nations.

4. *Collective judgment on development policies.*—The international lending agencies bring international influence on a collective basis to bear on recipient countries to maintain economic discipline and to follow generally acceptable development policies.

5. *Flexibility in imposing performance standards.*—The international financial institutions have broad flexibility to set performance standards and loan conditions because the institutions are not obligated to the foreign policy of any single donor.

6. *Promote open economic and fair treatment of foreign investment.*—The international lending institutions are an important force in developing more open and less restrictive national economies. The World Bank, for example, has a firm policy not to lend to countries which are not taking satisfactory steps toward adequate compensation for foreign capital investment that has been expropriated.

7. *Provide a shielding device.*—The international lending agencies relieve this nation and any other single donor country of undue responsibility for the economic development assistance of any one particular recipient country.

8. *Encourage self-help.*—The international lending agencies require developing nations to establish their own sound performance standards, solid programs, and reasonable development priorities.

These advantages were recognized and endorsed in the Peterson report on the future organization of U.S. development assistance efforts. This report formed the basis for President Nixon's foreign aid message of last September 15, in which the President said:

"International institutions can and should play a major creative role in the funding of development assistance and in providing a policy framework through which aid is provided.

"Such a multilateral approach will engage the entire international community in the development effort, assuring that each country does its share and that the efforts of each become part of a systematic and effective total effort. I have full confidence that these international institutions have the capability to carry out their expanding responsibilities."

I think you will agree that these advantages are indeed significant. We cannot realize them, however, unless we are prepared to accept the established practices of international financial cooperation. This means we must be ready to plan together with other nations for orderly financing over a reasonable period ahead, normally 3 years. When other contributing countries, whose combined inputs normally exceed our own, arrange their financial affairs to carry out a multiyear program, we cannot reasonably expect to limit that program to a stop-go annual basis.

It means further that when a reasonable and a carefully negotiated international understanding has been reached among a large number of sovereign nations—among whom we are important, but still only one—we should not lightly undertake to insist on changes that alter that understanding. International cooperation can thrive on the healthy bargaining involved in the negotiation process; it cannot survive the prospect of perpetual renegotiation.

And finally, it means that once we have agreed, pursuant to congressional authority, to accept and perform under an international understanding for financing an institution, it is a breach of an international commitment to fail to meet our subsequent annual financial obligations. Such a breach damages our ability to negotiate convincingly and advantageously in the future.

Mr. Chairman, I take very seriously the role of the Congress in examining both the broad concept and the detailed features of our participation in international financial institutions. Our relationship to these institutions presents problems which, while not entirely unique, do call for new approaches to congressional approval and oversight.

The role of the appropriations committees of course remains a vital one. Perhaps there are lessons to be learned from the numerous Federal programs where contractual commitment are authorized and the funds must be appropriated to fulfill these commitments.

However we adapt our procedures, it will continue to be incumbent on the executive branch to translate congressional concerns and desires into action, taking into account the inherent nature of the multilateral process. We have demonstrated before committees of the Congress that a system of executive responsiveness to congressional concerns does work; that changes and improvements can be brought about at congressional initiative; and that this can be done without upsetting the framework of carefully worked out international agreements or withdrawing from obligations we have formally entered into.

If we understand the nature of the multilateral process and the need to carry out the bargains we have struck in fair negotiations, we can reap the full benefits of a fully international approach. I sincerely hope that we can work with this committee in a cooperative spirit to find appropriate mechanisms that will permit us all to feel that we are discharging our respective obligations properly. I welcome your suggestions on how to arrive together at a relationship that will help make for more effective U.S. participation in the international financial institutions.

Exhibit 53.—Statement by Under Secretary for Monetary Affairs Volcker, October 9, 1970, before the Senate Finance Committee, on trade legislation

I welcome this opportunity to testify on the trade legislation before the committee. Last spring, the administration made several proposals to the Congress on trade matters. Those proposals were designed to arm the United States with the essential tools it needs to maintain forward momentum toward reducing trade barriers and maintaining the expansion of international trade and investment under fair and competitive conditions. At the same time, they would, I believe, protect the legitimate interests of American business and labor.

As you know, in view of the inability thus far to achieve voluntary restraints on textile imports, the administration also supports the addition to its proposals of certain provisions relating to quotas on those articles. You are also aware that in other important respects the bill that emerged from the House Ways and Means Committee (H.R. 18970) differs significantly from the proposals of the administration. I share the deep reservations already expressed by Ambassador Gilbert as to certain provisions of the House bill, which I believe are contrary to the national interest.

I will, however, devote my attention principally to one major provision of H.R. 18970 which originated with the administration. I refer to title IV that would permit the establishment of a new type of domestic corporation to be known as the Domestic International Sales Corporation, or DISC.

The effect of this provision would be to remove impediments to exports from the United States that exist in our present system of corporate taxation. This would be accomplished by making available to our exporters tax treatment more comparable to that available to exporters in many foreign countries and to the treatment accorded subsidiaries of U.S. companies operating overseas. This objective would be achieved, as Assistant Secretary Cohen will further explain, by permitting the deferral, within carefully defined limits, of corporate income tax on profits arising from exports, so long as those profits are employed in support of export efforts.

The basic purpose of this proposal is to remove one obstacle to a more effective competitive effort by our exporters in world markets. It thus will provide important support to the balance of payments and to the external financial position of the United States.

We believe the salutary effects of this legislation will extend beyond the immediately identifiable impact on the profitability of exporting implicit in the removal of an unwarranted drag of taxation. In combination with our parallel efforts to improve export facilities, it will, I am convinced, help direct the attention of American industry—particularly smaller and medium-sized firms—to the opportunities available in foreign markets. It should induce fresh corporate planning and marketing efforts to develop those markets, and its impact will be reflected in such basic corporate decisions as plant location.

The concept and basic provisions of the proposal reflect a thorough review of our tax structure from the standpoint of its impact on our export effort. That review included examination of the tax treatment of exports by other countries, as well as the tax treatment under U.S. law of export income as compared to other foreign source income.

We concluded from this analysis that the U.S. tax structure does, in fact, inadvertently contribute to an attitude among many American producers that export markets are not worth a concerted and aggressive effort over a period of years. Indeed, in certain respects, our tax system actually gives relative benefits to manufacturing abroad rather than in the United States.

The proposal before the committee would remedy these defects by recognizing that export income of a U.S. corporation is partly foreign source income, just as income from foreign subsidiaries is foreign source income. The same principle is incorporated in the laws and practices of other countries. Where this sound tax philosophy has heretofore gone astray in the operation of our own tax system is that the tax deferral of retained earnings, which is generally available on foreign manufacturing income, can be obtained on export income only through creating a foreign-domiciled sales subsidiary. Many companies, particularly those without extensive foreign operations, find this awkward and impractical. Why should our laws require a foreign domicile for export income to qualify? Foreign source income can appropriately be determined by the destination of the goods rather than the domicile of the corporate vehicle through which the sale has passed. We believe our proposed rules that would accomplish this purpose are consistent with international practice and obligations.

I believe the basic need for this legislation to correct a longstanding anomaly in tax treatment of exports is apparent from any considered analysis of our balance of payments and international financial position. We have been coping with a severe balance of payments problem for a lengthy period. The net outflow of dollars into foreign central banks and treasuries has fluctuated considerably in recent years in response to transient factors; the hard fact is that our underlying position has remained unsatisfactory.

In the latter half of the 1960's, the most serious element in the problem was that our traditionally large surplus on trade and on all current account transactions dwindled steadily. I believe we see the beginnings of a reversal of that trend this year. But, realistically, we must recognize that this improvement has been exaggerated by the temporary effects of an economic slowdown here and an inflationary boom abroad. Clearly, our current account surplus is still inadequate to support fully our investment activity abroad and our international obligations. Rebuilding that surplus must be a prime policy objective if we are to protect the stability of the dollar and discharge our international responsibilities effectively.

I do not believe we have the option of seeking that necessary improvement by turning inward with restrictive measures. It is not just a matter of economic philosophy or principle, important as freer trade is to the health of the world economy, standards of living at home and abroad, and effective competition. The harsh fact is that restrictions considered unfair and unacceptable to our trading partners will impair the atmosphere of cooperation built up so carefully in many of our international economic relationships and even invite retaliation. Instead of benefiting our trade position, spreading restrictions would damage our prospects for regaining a substantial surplus through competitive processes. I believe, too, at this time particularly, we must recognize that the flow of imports is one of the most effective possible checks to domestic inflationary pressures. And in the long run, we cannot expect to maintain a competitive industry behind import barriers.

The DISC proposal looks outward. It is designed to enable our industry to compete fairly but more effectively in world markets, building on the solid and essential base of a restoration of greater price stability. Intensive contacts with industry support our own conviction that the impact on the level of exports will be appreciable over a period of time. Admittedly, concrete estimates are difficult. We have, therefore, prepared estimates based on differing assumptions—one set we feel to be conservative and the other set reflecting more favorable assumptions emerging from some of our industrial consultations. Taking the more conservative estimates, we anticipate the DISC would generate, over the 4 to 5 years following its initiation, almost $1½ billion more exports per year than would otherwise take place. More optimistic assumptions suggest that, over the same period of time, the impact could run to $2½ billion. In either case, further gains should accrue in later years.

At the same time, we recognize that these gains will entail a definite cost in revenues. In recognition of this cost and the heavy current pressures on the budgetary position, the bill contemplates a gradual phasing-in period extending until 1974. With this phasing in, we anticipate that the revenue impact during the remainder of fiscal year 1971—assuming an effective date of January 1st—would be less than $75 million. By the fifth year, our estimates indicate the *direct* revenue cost could be expected to rise progressively to approximately $600 million.

Significant taxable distributions would commence after the first few years, tending to limit further increases in costs. I would also emphasize that these are estimates of the direct revenue impact. They do not take into account the long-range stimulative effect of this proposal—in the form of additional jobs, additional investment, and additional exports. These long-range benefits cannot be isolated statistically, but certainly they will exist. They will potentially offset materially the direct revenue costs of the proposal.

In conclusion, I strongly urge the committee to support this aspect of the administration's trade legislation. The need is urgent. We can no longer afford the luxury of maintaining provisions in our tax system that tend to discriminate against exports in favor of foreign investment. Our trade position and our balance of payments position urgently need improvement. I firmly believe that the DISC proposal is in the interests of a strong and healthy expansion of our economy, consistent with maintaining a strong external financial position.

Exhibit 54.—Remarks by Under Secretary for Monetary Affairs Volcker, December 29, 1970, at the joint annual meeting of the American Finance, Economic, and Statistical Associations, Detroit, Michigan, on domestic expansion and external responsibilities

There is ample precedent for the discussion at these luncheon sessions on the economic outlook to "look out" toward our external economic relationships. I intend to follow that pattern today. My reason is simple. The international implications of our domestic policymaking have never been more important—nor potentially so subject to misinterpretation.

The United States, like every other major trading nation, influences economic developments abroad and is influenced by them. The speed and facility of modern transportation and communication, relatively open markets for goods and capital, and increasingly tight links among the principal money markets of the world reinforce these relationships.

But, of course, no two countries are quite alike in terms of this process of mutual interaction. Because of its relative size and wealth, and because of the international role of the dollar, the United States has a particularly heavy weight. For better or for worse, our performance is pivotal in terms of the economic health of the world.

In some important respects, that performance has not been satisfactory since the mid-1960's. At home, we experienced a prolonged period of overheating, and we are now paying a price in terms of painful adjustments in production and excessive unemployment. Accompanying gyrations in our domestic financial markets have contributed to massive flows of internationally mobile capital, first into the United States and then out. And apart from the volatile capital flows, the inflationary process interrupted progress toward dealing with our underlying balance of payments problem.

These circumstances are widely appreciated. The questions begin at the level of policy implications.

Some approach the problem from the assumption of a basic conflict between our domestic goals and external equilibrium. Judgments differ as to where the emphasis should be put. But we are urged to make up our mind whether strong domestic expansion or balance of payments equilibrium and international monetary stability should take precedence.

At the same time, we hear voices to the effect that the conflict—if it exists—is not so significant: our domestic aims can and should be pursued without much concern for external consequences. In this view, if our domestic policies are basically desirable and acceptable in foreign eyes, well, good; then we can passively expect others to willingly make the necessary external adjustments. If, instead, the consequences are destructive of present international monetary arrangements or undermine liberal payments practices—well, so be it. We should then search for some new arrangements.

I have put these views crudely and in extreme form—more crudely, you will recognize, than the complexities of the arguments deserve. Yet, I find even among professional economists a debate polarizing along these lines. This seems to me unfortunate. I believe the implications for policy are fundamentally misleading. They are misleading not only as a matter of technical economic or financial analysis, but I believe they also misconstrue the broader role of U.S. leadership in the world economy.

Put in the simplest terms, I see no head-on collision between our domestic and international objectives. I would go further. If we were to attempt to pursue one objective to the exclusion of the other, we would undermine the prospects for continuing growth and prosperity at home and abroad.

Suppose, out of concern about inflation and the balance of payments, we deliberately maintained a pattern of little real growth, at the risk of rising unemployment. The domestic consequences need no exposition. Internationally, for a time at least, one might expect considerable improvement in the trade balance and in the current account as a whole.

But, from our point of view, we would have to reckon with the probability that the biggest part of that improvement could be maintained only so long as internal demand remained slack; prosperity would need to be held in bondage for an extended period. From the standpoint of other countries, the potential consequences of prolonged slack in terms of feeding protectionist sentiment in this country and spreading repercussions on growth in world trade would hardly make this a satisfactory form of adjustment.

This conclusion is reinforced by the fact that the balance of payments as a whole would probably not be appreciably helped. Experience strongly suggests that a sluggish domestic economy, with savings propensities outrunning investment opportunities, interest rates declining, and the stock market depressed, is conducive to large capital outflows. For a considerable period, these outflows could swamp the effects of an improving current account.

The present state of econometric studies in the area of capital flows does not permit me to cite chapter and verse to prove the point, and, before this audience I am sensitive to a charge of casual empiricism. But certainly it is more than coincidence that some of the largest dollar outflows have tended to coincide with periods of weak domestic business activity—in 1958, in the early 1960's, and again in 1970.

The obverse of this argument might suggest that forced growth at home could improve our external position. Indeed, in some circumstances, it might—temporarily. In 1957, and again in 1968 and 1969, tight money and exuberant investor expectations helped to bring short-lived surpluses. But this strength was purchased at a heavy price.

In essence, the coefficient relating demand pressures to imports jumps sharply in an overheated economy, as in 1966 and 1968. Indeed, some simulation work suggests the sharp deterioration in our trade surplus over the entire second half of the 1960's can be primarily attributed to excess demand pressures. Unfortunately, the relationship does not appear fully reversible in the short run, presumably reflecting more lasting damage to longer term competitive relationships and the difficulty in dislodging imports from established markets.

In sum, the statistical evidence seems to bear out what common sense would suggest. The extremes of slack and overheating—undesirable on domestic grounds—offer no salvation for the balance of payments either. Instead, reasonably balanced and steady demand growth, affording ample domestic investment opportunities but without heavy strains on capacity, seems to provide the most satisfactory environment—indeed, the only sustainable environment—for seeking a solution to our balance of payments problem.

I do not suggest that an orderly growth pattern will, by itself, restore external balance. But I believe we can move decisively toward that goal if we combine orderly growth with a better job in achieving price stability—better than we, ourselves, have achieved in the past 5 years and better than other leading industrial nations will be doing in the years ahead.

Much more than any presumed conflict between domestic and external objectives, it is this requirement to reconcile growth with greater price stability that lies at the heart of our problem. To my mind, our balance of payments problem heavily underscores the urgency of dealing with a need already evident on domestic grounds.

In approaching that problem, it is all too easy for our sense of perspective to be warped by the latest price statistics or wage settlements. After 5 years of inflation, we tend to forget, that historically, our price performance has compared very well with others. Except for a brief period at the start of the Korean war and again during the Vietnam conflict, both our consumer and wholesale industrial prices have increased appreciably less than those of almost all other major trading nations. More than most countries, our basic demand and supply situation today is conducive to diminishing price pressures in the months ahead. We have demonstrated by deed our willingess to maintain restrictive monetary and fiscal polices so long as they were necessary to reverse the inflationary momentum.

Yet, the virulence of cost pressures during the recent period of slowdown emphasizes the remaining difficulties in restoring price stability after an inflationary psychology has taken hold. The lags have proved longer than we hoped. We cannot simply assume price pressures will fade away and singlemindedly set our sights on a target of full employment. Nor can we sweep the problem away by a call for an "incomes policy" without, at the same time, facing up to the hard task of determining whose behavior is to be changed, by what mechanism.

The President, in his recent address to the National Association of Manufacturers, devoted much of his attention to means of supplementing general demand management now that the pressures of excess demand will no longer render such efforts largely meaningless. The series of measures he then reviewed—ranging over such matters as the framework of collective bargaining in the construction industry, the use of direct Federal influence on specific prices, and more general efforts to alert public attention to the problem—reflect a pragmatic approach toward developing needed elements of a more over cost-price policy. The Chairman of the Federal Reserve Board recently publicly addressed himself to the same basic problem with further specific suggestions.

The difficulty of some of the matters touched upon is apparent. Experience abroad is illustrative of the obstacles to success. But I am not pessimistic. The potential benefits for all groups in the economy from measures to harmonize growth with price stability are more widely understood. Events are bringing new responses, and I believe the critically important efforts will command wide support.

Healthy growth and better price performance are central to any effective balance of payments policy. No "programmatic" approach can be substituted. Indeed, it is ironic that the late 1960's, when specific and urgent balance of payments programs were almost an annual occurrence, was also the period when inflation and overheating were permitted in a fundamental sense to damage our external position.

Those specific "programs" relied heavily on intensified controls on outward capital movements, increasingly restrictive tying of aid, and "buy American" directives, as well as on more general efforts to reduce nonessential foreign spending. With the trade position deteriorating, capital controls served an immediate purpose. But intensification of controls cannot be a satisfactory or sustainable long-run approach, whether assessed from the vantage point of the American administrator or business firm or from the standpoint of aid recipients or that vast majority of foreign countries that welcome U.S. investment. In the broadest economic and political interests of the world, we would like to move toward relaxing those restrictions. But only limited progress has been made.

We have found it necessary to maintain the basic framework. Progress in dismantling those controls rests fundamentally on an improving current account. Too often we forget the simple identity that, without a continuing current surplus, the nation as a whole cannot consistently increase its net foreign assets—that the investment of one firm or official credits are simply matched by borrowings or loss of assets elsewhere. To a degree, the reshuffling of claims may reflect legitimate and lasting asset preferences. But we cannot escape the need to transfer real resources to the rest of the world to support more fully our inclinations to invest abroad and our responsibilities for aid.

Our basic approach is thus designed to reverse the deterioration of recent years in our surplus on goods and services. As reecntly as 1965, our current balance on goods and services amounted to some $7 billion, 1 percent of the then GNP. That surplus had dwindled to only $2 billion in 1969, paralleling a decline in the trade balance from $5 billion to $600 million. Moreover, in the absence of a strong currrent surplus and under the pressure of high short-term rates in 1968 and 1969, net investment income ceased rising.

In 1970, the process of improvement began. Both the trade and current accounts have improved by $2 to $2½ billion. But this relatively fast recovery reflected in part a favorable cyclical conjuncture.

Fortunately, over time we can anticipate a substantial part of the further needed improvement from flows in investment income. They normally might be expected to add a net of more than $500 million each year—and considerably more in the near term in response to lower short-term rates. The unwinding of the Vietnam war—and, ultimately, better sharing of the European defense burden—should help as well. But the trade balance must also contribute—and in circumstances where cyclical factors will be less favorable.

Proponents of quantitative controls on imports sometimes seize upon this point in justifying quotas. But they are wrong in doing so. Such controls, spread over a large enough volume of products to affect significantly aggregate import volume would, in the end, be self-defeating—contributing to inflation at home, breeding retaliation abroad, and undermining the basic requirements of the liberal trading order nurtured by American policy. But I do believe that, consistent with good international behavior and foreign practices, this country can do more to support a more aggressive export effort, improving our trade balance by outward-looking measures.

For instance, the United States had for years been reluctant to provide official support for export credit to an extent common in other countries. Today, we have gone a long way toward bringing our program more into line with that available elsewhere, particularly in the area of medium-term credit support for our important capital goods exports. I recognize that in some respects export credit terms worldwide may indeed be too liberal. As in the past, the United States will willingly abide by fair international agreements to control excessive competition. But we are no longer prepared to stand aside in the mere hope that our example will be followed by others.

Similarly, we have concluded that we can no longer afford the luxury of forcing our exporters over tax obstacles that their foreign competitors—sometimes, ironically enough, their own affiliated corporations overseas—do not have to run. This is the genesis of the proposal for income tax deferment on export sales through a so-called Domestic International Sales Corporation, a proposal that I hope the Congress will enact next year.

Under this proposal, tax deferral within defined limits could be obtained on income generated by exports through a sales subsidiary domiciled in the United States. Tax deferral is already available on foreign manufacturing income, and a similar result is achieved by many foreign exporters, particularly through the use of tax haven countries. Thus, our domestic exporters would be placed on a more equal competitive plane.

The reaction of other countries to these or other efforts to improve our current account will pose an interesting question of wider significance for the adjustment process in general and the speed with which we can achieve a structural equilibrium in particular. At an intellectual level the need for a stronger U.S. trade position is generally conceded abroad. But actions to promote that objective—including improved export credit facilities or tax treatment—necessarily impinge upon specific commercial interests in foreign countries and, more generally, on the strength of their own current accounts and balance of payments. A tendency to change their own policies in response to our action—to remain a step ahead in the game, so to speak—would support the view that there is a basic incompatibility of balance of payments goals and objectives—an incompatibiilty that tends to push the United States into deficit as the residual counterpart of other countries' surpluses.

The potential difficulties are already apparent in the degree to which strong surplus countries have been slow to abandon outmoded restrictive import practices—as in the case of Japan—or promote agricultural protection and preferential trading relationships—as in the case of the European Economic Community. Closer to home, we have the example of our largest trading partner—Canada—that has made a successful effort to achieve a current account balance, while continuing to call upon our securities market for sizeable amounts of capital financing.

To be sure, there are special circumstances—political or commercial—explaining many of these seeming anomalies in the process of balance of payments adjustment. But, whatever their origin, the remaining restrictions emphasize that the speed of our adjustment is not independent of the actions of others—and ultimately could be frustrated by their efforts.

In assessing the adjustment problem, we should not be misled by the huge size of the deficits reported in recent calendar quarters. Those data are grossly distorted by short-term capital movements; they are as misleading as measures of our underlying position as the official settlements surpluses recorded in 1968 and 1969.

The flows of liquid funds do, of course, create serious problems of monetary management both internationally and internally for a number of countries. The implications for both internal and world liquidity need closer scrutiny. But serious as these problems are, experience strongly suggests that we can learn to live and deal with such flows reasonably effectively by cooperative effort, provided—and this is the crucial point—there is a firm basis for confidence that they are essentially aberrations around an improving underlying position.

There will never be a fully satisfactory summary measure of our underlying balance of payments position, given the complexities of our responsibilities as a reserve currency center and the difficulties of reflecting differing economic motivations in statistically separable categories. However, the concept of a "basic" or "nonmonetary" balance may offer a useful perspective for monitoring the adjustment process.

We can approach that concept by concentrating attention on the current account and long-term capital movements. I am not unaware of the shortcomings. Not all short-term capital is inherently volatile—and some long-term capital is. Errors and omissions appear to have developed a chronic negative sign. But, all things considered, a less distorted view emerges.

As you would expect, this measure shows a chronic deficit in the past decade—but a deficit responsive to our internal performance. After averaging $1½ billion from 1960 to 1963, the basic deficit declined to only $½ billion in 1964. This was a period when our trade balance improved markedly even as the economy grew fairly rapidly, partly in response to a good record of internal price stability. Then, with the heating up of the Vietnam war and the domestic economy, deterioration set in. The basic deficit averaged almost $2½ billion from 1965 to 1969. Despite the decided gains in the current account this year, weakness in the capital accounts as the economy softened probably forestalled much improvement in 1970.

These figures may understate the magnitude of the problem. Our controls mask part of the deficit. In an average year we probably should be prepared for some short-term capital outflow. Moreover, after many years of deficit, a surplus for a time could be eminently desirable assuming Special Drawing Rights are made available in sufficient amount to satisfy world needs for reserve growth.

All these factors emphasize the distance we have to go and the importance of getting on with the task. But in doing so we must also recognize and work within the framework of the structural characteristics of the world economy and monetary system lest we do more damage than we cure.

Our international trade and capital flows—while small relative to our domestic economy, are large relative to most other countries. Shifts in our position do not fall only—or even primarily—on others in a strong position. As a result, as I have already suggested, swings in our payments—particularly abrupt swings—may elicit countervailing reflex actions by others, whether to protect access to commercial markets or to "play it safe" with respect to their own balance of payments position.

The dollar itself, with its widespread use as a reserve, trading, and money market currency, must serve as a measure and fulcrum against which other countries can set their exchange rates and intervene in the market. Occasionally those rates are changed, but those initiatives plainly lie with others. As a practical matter, experience shows such initiatives have much more commonly been exercised in the direction of devaluation.

These are the elements of asymmetry that, in some important respects, force upon us a relatively passive role in international adjustment. It would make no sense to ignore this reality and embark on a further effort to solve our current problem through restrictive practices or inducing widespread currency instability.

But we also need to recognize the other side of that coin. The same factors that force a passive rôle in some areas place upon us a special responsibility in other areas—a responsibility to maintain policies conducive to free and open trade, to promote steady growth, and to achieve more stable prices.

I believe these responsibilities do not flow simply from the particular monetary arrangements that have come to characterize the world in this year of 1970. Sharp fluctuations in the American economy will radiate instability abroad whether we settle our claims in gold, or Special Drawing Rights, or dollars—or moon rocks. The techniques of limited exchange rate flexibility that have been so much discussed could well contribute to the broader stability of the monetary system by relieving points of tension in exchange markets, but I could not conceive of such techniques working effectively in the context of a chronically weak dollar. Freely floating exchange rates are seen by some as a means of almost automatically equilibrating exchange market flows. But even the most ardent advocates would hardly argue that such a system could work effectively if the center of gravity of the world economy is itself unstable.

The analogy between our economic position and our defense and foreign policy responsibilities seems to me apt. We did not choose the role consciously, but our size and strength has imposed on us the special responsibilities of the leading world power. In specific instances, we can and do seek cooperative arrangements to share those burdens. But the hard fact is that, if we shirk the responsibilities and the costs that go with leadership, we cannot count on other countries—individually much smaller—to step up automatically to fill the gap.

Similarly, in the economic area, we did not consciously seek out the role of the dollar, nor did we seek so large a share of trade and investment. But, given that position, the performance and stability of our economy is critically important not only to ourselves but to others. If we fail, the repercussions are not merely national but international. In that sense, I do not believe our policy can ever properly be passive with respect to our external economic obligations.

On the contrary, after 5 years in which internal inflation undermined our external position, these external obligations reinforce our concern with restoring price stability and improving our trade position as we reduce unemployment. We should not expect quick and easy results, but I believe we are on our way.

In a world of rampant inflation and slowing growth, renewed vigorous expansion combined with moderating price pressures in the United States will be more than a boon domestically. It should provide a strong basis for confidence that the problem of external adjustment can be solved constructively in a manner entirely consistent with the broader needs of the world economy.

Exhibit 55.—Remarks by Under Secretary for Monetary Affairs Volcker, January 14, 1971, before the 1971 conference on "Containing Inflation in the Environment of the 1970's" of The Conference Board, New York, N.Y., on world inflation and the international payments system

I have learned to accept an invitation to appear on a program arranged by The Conference Board only with a good deal of humility. Through the years. the organizers have managed to schedule topics months ahead with an almost uncanny sense of timing and relevance. Yet, the subject matter typically raises such complex issues of public and private policy that the speaker must abandon any illusions as to his capacity to provide a full analysis or certain conclusions.

So it is with world inflation.

The source of the present concern is plain enough. Seldom, if ever, in modern history—apart from periods of widespread warfare—have industrialized countries together experienced so persistent and sizeable increases in their general price level. For the OECD (Organization for Economic Cooperation and Development) countries, the average increase in 1970, measured by the GNP deflator, came to about 5½ percent. The rise was greater than average in Europe and Japan—a bit lower in North America. But the overall impression is one of a serious common problem.

Nevertheless, the coincidence of price pressures in these countries has not been accompanied, at least recently, by a similarly close coincidence in demand pressures. Indeed, the persistence of rising prices in the United States and in a few other countries during a period of relative slack has failed to conform to most models—econometric or otherwise—of the economic process.

I do not want to make too much of these seeming paradoxes of the moment. The current inflation in the developed world must be judged against the full perspective of the latter 1960's, not just of recent months. In that longer perspective an orthodox and straightforward line of analysis would seem to carry us a considerable distance.

The textbooks identify the genesis of inflation primarily as an excessive rate of total spending—public and private—relative to existing productive capacity. Demand-pull sets in train a process with more or less predictable consequences. Prices and profits tend to rise under the pressure of demand, and the rate of growth in real wages tends to fall off. Higher wage demands soon appear in response to tighter markets and to "catch up" with the inflation. Demand-pull breeds cost-push and, long after demand has been cut back, rising prices may continue.

This familiar thesis fits the experience in this country pretty well. The escalation of the Vietnam conflict after 1964—combined with a failure to face up to the economic and financial implications—led to our most prolonged period of overheating of the postwar period. While starting somewhat later, in 1968 or 1969, Japan, Germany, and a number of other countries have also experienced particularly strong domestic booms.

A recent report by the OECD* has summarized the evidence this way:

"In aggregate terms, it seems at first sight that the [recent] price performance * * * can be explained in terms of demand pressures in a fairly straightforward way. Taking the major OECD countries together, it can be seen that GNP was significantly below its trend value in the years 1958 through 1962, and significantly above it from 1966 through 1969. Allowing for a lag of a year or so, this fits with the overall price performance in the OECD area as a whole."

What seems so simple and straightforward at first sight often becomes a good deal more complicated when examined in detail. There has been, certainly, considerable diversity in the timing of excess demand pressures for the different countries.

In our own case, for example, excess demand had been removed by late 1969 and early 1970. Unemployment has now grown to excessive levels. Yet, while the price rise has tapered off, it continued through 1970 at a historically high pace, and the daily press reminds us forcibly that the problem continues today.

In some other important countries—notably the United Kingdom, France, and Italy—recent inflation has not been accompanied by great strain on internal resources; to the contrary, when their price increases began to accelerate, the margin of slack seemed to be somewhat greater than usual. In other cases, boom conditions still exist or have only recently begun dissipating.

It still may be broadly correct to suggest that we are at varying stages of recovery from essentially the same affliction. But I wonder whether even that formulation quite comes to grips with the full measure of the problem. The relative uniformity of international price experience, in varying demand conditions, somehow seems to need more consideration. It leads naturally to a question about whether inflation is being transmitted and generalized through the international payments system.

It is entirely consistent with the basic analysis for a burst of excess demand in one or a number of important countries to be transmitted internationally through rising import demand. Even more directly, higher prices in an exporting country will affect prices of another country's imports. The result should be to moderate price pressures in countries with relatively strong inflation but at the expense of transmitting some of those pressures abroad.

The outward ripples may seem like sizeable waves to smaller countries particularly heavily dependent on foreign markets. But for the larger countries where imports and exports are a smaller fraction of domestic production this explanation should not be carried very far. The increment to total demand from abroad is not likely to be so great as to dominate domestic trends or to elude corrective measures of internal fiscal or monetary policy. We are, after all, concerned with a situation in which total world demand has not soared out of sight or fallen off precipitously—as it sometimes did in decades past.

There is a view that tends to place more weight on international monetary phenomena—specifically, developments in the U.S. balance of payments and its repercussions on international liquidity. This view is not, of course, new—it was pressed by some, for instance, during the first part of the decade of the 1960's, when the U.S. price trend was stable. But, despite its longevity, this monetary argument does not square well with observable facts.

One possibility was examined with some care during the studies and negotiations that culminated in the historic decision to introduce a new "man-made" international reserve asset—Special Drawing Rights. Those studies strongly suggested that, far from being in excess supply, a relative shortage might well be developing in international reserve assets.

Thus, in the period 1950–1969, total world reserves rose at an average annual rate of about 2.4 percent while the value of world trade rose by 8.1 percent. During the period 1964–1969, when international inflation took hold, the average an-

*"The Present Problem of Inflation," report by the Secretary General, Paris, Nov. 19, 1970.

nual increase was about 2½ percent—actually below that earlier in the 1960's when prices were more stable.

To be sure, reserves of countries outside the United States were rising considerably faster than the world total during most of the postwar period. But during the years from 1965–1969, while the current inflation took hold, the reserves of the major European countries actually declined slightly in the aggregate.

While no simple ratio can tell the whole story, by the end of 1969 the relationship of world reserves to trade had fallen to the lowest percentage since the late 1920's. European reserves were smaller relative to trade than at any time during the postwar period. Indeed, the tendency for international reserves to grow so slowly in the late 1960's properly gave rise to concern that pressures on liquidity were a factor in the seemingly increased reliance on controls and the atmosphere of greater exchange instability that came to characterize the late 1960's. It was these concerns that helped lend urgency to reaching the SDR agreement.

In modern monetary conditions, there is not a tight mechanical or analytic link between international reserves and world prices. I recognize that a balance of payments surplus normally will have a counterpart in domestic liquidity creation as the foreign assets acquired are usually monetized by the domestic banking system. Those foreign assets may be matched by a decline in foreign assets of other countries. But they may also represent newly created reserves, as would be the case when a U.S. deficit is financed in part by dollars. Then the process is asymmetrical. (It is worth noting that this asymmetry is also a characteristic of a system in which newly mined gold finds its way into the monetary system.)

The crucial question would seem to be, however, whether countries have the tools to manage this liquidity creation in accord with their domestic requirements, supplementing or offsetting the effects as the need arises. Obviously, countries differ in the efficiency of their tools for domestic monetary management. But the crucial test is results: If it were the case that reserve gains from U.S. deficits or other sources were enfeebling the capacity of foreign countries to maintain control over their money supply, there should be statistical evidence that movements in foreign assets are a dominant force in changes in domestic credit. While such cases can be found in particular years for particular countries, no such general pattern is evident in the data for the past decade.

The ratio of net foreign assets to money and near-money during the 1960–1970 period has been on a downward trend in the case of all major European countries except Switzerland. More specifically, focusing on official international reserves, those reserves have become a smaller fraction of the domestic money supply of most countries. Significantly, in 1968 and 1969, when the inflation developed in a serious way in a number of the larger European countries, the United States ran a surplus in terms of our official settlements accounts, which measure our net reserve gain or loss. In other words, domestic credit expansion appears to have been the main element in foreign monetary growth.

I do not mean to suggest that these broad statistical trends dispose of all of the issues associated with the international transmission of inflation. Liquidity is an elusive concept, and statistics on reserves and domestic money supply need to be appraised in the light of growth in other liquidity instruments and credit facilities. To the extent that international liquidity has been supplemented by standby or ad hoc credit facilities, for instance, use of actual reserves could be minimized. Indeed, it might be argued that the availability of credit has diminished the discipline on internal behavior that might otherwise have emerged from balance of payments constraints.

But I question whether that argument can be pushed very far. Instead, my strong impression is that the major consequence of the absence of these elements of elasticity in the international monetary system would have been greater currency instability and a greater tendency toward use of controls.

Indeed, I believe an attempt to force deflation by enforcing a greater stringency in international reserves might well have been counterproductive in today's world. The outcome would likely be currency disturbances and restrictions. Devaluations—and these have been more common than revaluations—tend to have a pronounced effect on prices in the devaluing country, complicating the task of controlling inflation. Even more clearly, any tendency toward restrictions on trade impedes competition and tends to support inflationary tendencies in a country invoking such restrictions.

Stated more positively, the best international monetary and trading environment for seeking and maintaining price stability would appear to be reasonably stable exchange rates, a more symmetrical use of revaluations when changes are necessary, and free and open trade among nations.

At the same time, there is one aspect of the international payments system, as it has been developed in recent years, that has considerably complicated the task of internal monetary management. The latter part of the 1960's carried forward the increasingly close integration of international money and capital markets that has been characteristic of much of the postwar period. The growth of the Eurodollar and Eurobond markets epitomize the trend.

This development has been beneficial in important ways, bringing a degree of competition, breadth and fluidity to these markets that serves lender and borrower alike. But it has also meant a certain loss of independence in terms of domestic monetary policy. Tight monetary policies and high rates to contain domestic expansion attract money from abroad, adding to international reserves and tending to undercut the domestic objectives.

Loss of monetary independence is relative. It constitutes a more serious problem for some than others. While we in the United States are certainly not immune, the size of our own domestic markets and relatively efficient domestic instruments make us much less susceptible to this loss of monetary independence than many other countries. Small, heavily externally oriented economies may have particular difficulties from time to time.

Means of dealing with this problem are not easy. If I assess the thinking correctly, a certain frustration over the matter is one of the forces driving Europe toward a closer monetary union. Smaller countries, finding their freedom of action circumscribed by developments in international markets, appear willing to submerge their independence more fully into a larger unit, in the expectation that the larger area will be less susceptible to influence from outside.

More immediately, the situation has given rise to considerable ingenuity by one country or another in seeking out devices to offset international flows or to affect incentives to such flows. Properly, the question as to whether somewhat wider margins for exchange rate fluctuations might tend to dampen swings is receiving study. More broadly, within the general framework of international cooperation, the possibilities of achieving some better international coordination of policies affecting capital flows continue to need exploration.

Important as this matter is, however, international movements of volatile capital hardly supply us with an adequate explanation of the present inflationary problem. The fact is that, during much of 1968 and 1969, the tightness of money in the United States led to considerable concern in Europe that we might, by "exporting" high interest rates, exert an undue contractionary influence abroad.

In 1970, the flows moved sharply back toward Europe. But this was after inflation had already achieved considerable momentum in most European countries, and the outflows, with the main exception of Germany, did not appear to complicate greatly the task of foreign monetary authorities in maintaining a posture they considered appropriate on domestic grounds.

We hear much comment about the asymmetry of an international monetary system in which a major national currency—the dollar—also serves as a reserve currency for others. This asymmetry does have important consequences for the operation of the system. But it is worth pointing out that it is the free convertibility of currencies at fixed exchange rates that facilitates large flows of internationally volatile capital and thus influences the exercise of independent monetary policy. The method of financing the flows, by dollars or by other reserve assets, does not fundamentally change the nature of the problem.

If the trends in international reserves or the U.S. payments deficits do not provide a satisfactory explanation for world inflation, this does not exclude the possibility that we have run into a singularly bad batch of internal financial policies. There is a strong tendency these days to attribute a high degree of potency to monetary policy alone, and to focus particularly on the behavior of monetary aggregates. In keeping with that fashion, I have had some elementary monetary measures computed for 11 countries over the past decade—Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom, and the United States. For the purpose, it seemed sufficient to concentrate on three aspects: The ratio of money to GNP; a broader liquidity measure relating money and near-money to GNP; and the absolute rates of growth in money and liquidity.

While any simple approach of this sort raises more questions than can be readily answered, the results, on their face, suggest no obvious explanation for the present bunching of inflationary pressures. For example, when the decade is divided into subperiods, the ratio of money to GNP declined in the latter part of the decade in the case of most of the countries. The broader ratio of liquidity to GNP did show some tendency to move up in the second half of the decade but only modestly. The difference in these measures suggests rising levels of income and interest rates may have induced shifts in the composition of liquidity. But surely there is little that would support a purely monetary explanation of the coincidence of strong inflation in so many countries at the end of the decade.

A broadly similar result emerges in looking at absolute rates of growth in money and liquidity. In a clear majority of the countries, the rate of monetary expansion was lower in the second half of the decade than in the first. And, taking money and near-money together, there is little indication of any massive buildup of liquidity in recent years.

In sum, the coincidence of inflationary difficulties in so many countries cannot easily be traced to gross monetary mismanagement, either at the domestic or international level. Monetary policy—and certainly fiscal policy—has played a part in some countries at some times. But there is also a danger that attention is diverted from the real problem by rationalizing the inflationary difficulties as simply a failure of monetary policy or an outgrowth of a flaw in international monetary arrangements.

The main danger may run largely in the other direction. No international monetary arrangements can be devised which will work well in the face of inadequate domestic policies in the major countries. By the same token, a variety of monetary arrangements might be made to work adequately where the major countries followed appropriate policies at home and approached their international affairs in a cooperative spirit.

If monetary difficulties do not fully explain our problem we must look elsewhere. Part of the answer, I suspect, lies, paradoxically enough, in the demonstrated success of past policies in the major countries in avoiding serious recession. For obvious and good reasons, no major country attempts to operate its economy with very much slack. But success in this endeavor has a cost. To put it bluntly, the threat of deep recession—even depression—no longer dampens price expectation or behavior.

The reconciliation of full employment with satisfactory price performance has never been easy. As success in achieving relatively full employment is more and more taken for granted—in our own and other countries—the difficulties may become greater.

It is worth raising a question, too, whether some essentially noneconomic factors have not entered into the equation. Explosive wage increases have appeared in some countries—France in 1968, Italy in 1969, and the United Kingdom more recently—at a time when a limited but above average amount of slack was apparent in their domestic economies. In all these instances—as in the case of the United States in 1970—some element of "catch-up" for past price increases may provide part of the explanation. But the size and timing of the increases, in some instances, also appeared to be part of a broader social unrest, or a new aggressiveness in exploiting strong bargaining positions.

There is room, too, for speculation as to whether these factors are not mutually reinforcing internationally, quite apart from the technicalities of the payments system. In an open economy, lack of concern over a severe business setback rests partly on an assessment of trends abroad as well as at home. Labor leaders and business price setters are certainly aware of the policies of their counterparts abroad. As the authors of the OECD report put it, unlike most earlier periods of inflationary pressures, there are now no sizeable "islands of stability" to act as a brake on inflationary expectations and a competitive restraint on prices elsewhere.

This reasoning has led some to a rather gloomy prognosis. But I believe we can find a basis for more optimism, both in the short and longer run.

I take as my point of departure the point that the United States as the largest economy and the custodian of the major reserve currency carries a particular burden for responsible policies. Not just because of the particular characteristics of our present monetary system but more fundamentally because of weight in the world economy, stability in the United States can be a strong force for stability elsewhere.

The evidence is clear that we faced up to the need to cut back on excessive demand pressures through restrictive monetary and fiscal policies. The momentum of inflation has clearly been checked, and prices have been rising at a somewhat slower pace. Now slack has developed and productivity is advancing more rapidly. A stronger expansion should be possible for some time ahead without refueling inflationary pressures and expectations.

But the lessons of this episode should linger on. We understand better the difficulties of operating a modern industrial society at the margins of full employment for a prolonged period, and the dangers of overshooting the mark. In particular, I believe we understand that the orthodox tools of demand management alone need improvement, and need to be supplemented by other policies, if we are to "manage prosperity" more effectively.

Our problems cannot be swept away in a simple call for an "incomes policy." Any survey of the past record in that respect shows more grounds for disappointment than cheer. Certainly such policies cannot make up for mistakes in demand management. President Nixon recently commented that he, at this time, had rejected calls for wage and price guidelines or a wage-price board for a good reason—he felt that in existing circumstances they would not work. Nobel Prize winner, Paul Samuelson, alluded to the difficulties in his recent comment that a new Nobel Prize should await the economist that developed a workable incomes policy.

But, in rejecting the possibility of any simple approach along those lines, I believe there is greater recognition that new policies and new approaches are needed for the long pull to reinforce and supplement the disciplines of the market. The threat implicit in restrictive practices of labor or business and in the exploitation of positions of monopoly power is more broadly understood. So, I believe, are the potential gains to business, labor, and the consumer of success in the effort to better reconcile growth with price stability so that one or both do not need to be compromised. As Paul McCracken said not long ago, there should be the ingredients here of a social bargain or compact.

The current review of Government practices that may artificially limit supply or reduce competition, the work of the Productivity Council, efforts to improve the mobility and education of workers, and new initiatives in the area of bargaining in the construction industry are some examples of ways to encourage better price performance.

The essential point is that none of this is easy or painless, nor does it entail merely economic dimensions. Full success will rest on the work of years in changing some deeply ingrained patterns of behavior, not on exhortation or short-term programs, however dramatic. But I believe that important steps are being taken. Under the pressure of events, the divisive and debilitating consequences of inflation are more plainly seen, and the climate is more receptive to the needed changes.

No country has yet found a satisfactory answer to the common problem. But the first step to the solution is the broad recognition of the problem itself, and the willingness to alter old patterns to deal with it. I believe we are at that stage—and with a concerted attack from many directions we can help the world find the way back to combining prosperity with a high degree of price stability.

Prices in major OECD countries [1]

	1958–1968 average	*1969*	*1970*
United States	2.1	4.7	5¼
Canada	2.5	4.7	4
Japan	4.5	4.5	5¾
France	4.0	6.9	5½
Germany	2.8	3.5	7
Italy	3.5	4.1	6¼
United Kingdom	3.1	5.1	6
Total of above excluding United States	3.7	4.8	6

[1] GNP/GDP deflator.

SOURCE: OECD, "Economic Outlook," December 1970.

Exhibit 56.—Statement by Under Secretary for Monetary Affairs Volcker, March 15, 1971, before the Senate Finance Committee on extension of the Interest Equalization Tax

Under present legislation, the Interest Equalization Tax (IET) expires on March 31 of this year. This tax, effective since July, 1963, has been adopted and maintained as a means of reducing the outflow of portfolio capital from the United States to develop countries. It has been extended on three occasions with small modifications. I urge you to provide for the extension of this tax for another 2 years by adopting H.R. 5432.

The effect of the tax is to raise the cost to foreigners in developed countries of borrowing or raising equity funds in the United States. The tax rate may be varied by the President between the equivalent of an effective annual rate of zero and 1½ percent per annum. At present, it is ¾ percent.

The tax provides important protection for our balance of payments position, particularly during a period when interest rates are relatively low in the United States as compared to most other advanced countries. That is the case at present.

The tax directly discourages foreign borrowing in our market. It also complements and supports the Commerce Department program designed to limit the balance of payments cost of direct investment abroad and the Federal Reserve program designed to limit outflows of funds from banks and other financial institutions. The three programs are mutually reinforcing in holding in check the volume of dollars that move into foreign hands through outflows of U.S. capital. Without the Interest Equalization Tax, the remaining programs—particularly the Commerce program that encourages U.S. firms to finance a portion of their overseas expansion in foreign markets—would be substantially weakened.

The President has stated his intention to relax these programs as soon as the balance of payments situation permits. I wish I could report to you today that the need for these restraints was no longer necessary. However, after full review within the administration, the conclusion was reached that these programs must be maintained for a further period with little change.

Although no single measure can reflect all aspects of the situation, our balance of payments position continues to be plainly unsatisfactory.

On the official settlements basis, our deficit reached almost $10 billion in 1970, even after allowing for our allocation of Special Drawing Rights. That result was heavily influenced by the sharp easing of American money markets at a time when rates are still high in many foreign countries. We benefited from large inflows of interest-sensitive short-term capital in 1968 and 1969, when our domestic markets were extremely tight. Now those flows have sharply reversed.

These flows of short-term capital, disturbing as they are, do not reflect our underlying position. Indeed, our total current account position improved last year. However, this improvement, while welcome, must also be discounted to some extent. Cyclical conditions, here and abroad, were exceptionally favorable for our exports. Even so, as table I shows, our current account surplus was well below the levels recorded earlier in the 1960's. It failed to cover exports of long-term capital and aid flows by a large margin. As a consequence, our so-called basic balance on trade, other current items, and long-term capital remained in sizable deficit.

Partial data for January and February show the situation is not improving. We continue to face a major challenge in bringing our position into a sustainable equilibrium. Neglect of this problem would simply be inconsistent with maintaining a framework of international monetary stability so important in facilitating flows of trade and investment.

Dealing with that challenge in a responsible way demands that we not prematurely remove the limitations imposed on capital outflows, including the Interest Equalization Tax. Action has been taken from time to time to ease the administration of these programs and the difficulties of businesses in complying. But we do not believe, in the light of present balance of payments circumstances, that further relaxation can be justified at this time.

The Interest Equalization Tax has been effective in substantially reducing the volume of securities offered in the United States by countries subject to the tax. Since 1963, annual offerings of developed countries—apart from Canada, for which there is a specal exemption—have generally been very small, as may be seen in table II. Similarly, there is evidence to indicate that the tax has substantially inhibited U.S. purchases of outstanding foreign securities (see table III). As a result, more of the burden of foreign financing has properly shifted to other countries in a stronger balance of payments position.

While we have found it necessary to maintain special measures of restraint such as the Interest Equalization Tax, the basic approach toward strengthening our international financial position must be along different lines. Most fundamentally, we must restore a healthy economic climate at home. Orderly growth, increasing productivity, and price stability must be sought hand in hand. In this respect, our balance of payments and domestic aims broadly coincide.

TABLE I.—*U.S. balance of payments, 1961–70*

[In billions of dollars]

	1961–65 Average	1966	1967	1968	1969	1970, 3 qtrs., seasonally adjusted annual rate	1970 actual
Merchandise trade balance	5.4	3.9	3.9	0.6	0.6	2.7	(2.2)
Exports	23.0	29.4	30.7	33.6	36.5	42.1	(42.0)
Imports	−17.6	−25.5	−26.8	−33.0	−35.8	−39.4	(−39.9)
Investment income balance	3.5	4.1	4.5	4.8	4.4	4.3	....
Receipts from U.S. investments abroad	4.9	6.3	6.9	7.7	8.8	9.6	....
Payments on foreign investments in United States	−1.3	−2.1	−2.4	−2.9	−4.5	−5.3	....
Balance on other services	−2.5	−2.7	−3.2	−2.9	−3.1	−3.1	....
Balance on goods and services	6.5	5.3	5.2	2.5	1.9	3.9	....
Unilateral transfers, excluding government grants	−.8	−.9	−1.2	−1.1	−1.2	−1.3	....
Balance on current account, excluding government grants	5.7	4.4	4.0	1.4	.8	2.6	....
U.S. Government economic grants and credits [1]	−3.7	−3.9	−4.2	−4.2	−3.7	−3.4	....
Balance on private direct investment	−2.2	−3.6	−2.9	−2.9	−2.2	−3.8	....
Balance on securities transactions	−.8	.4	−.3	3.1	1.6	1.0	(1.3)
Balance on various other long-term capital transactions [2]	−.5	.6	.2	.9	.7	.3	....
Balance on current and long-term capital accounts [3]	−1.4	−2.0	−3.1	−1.7	−2.8	−3.3	....
Balance on various other capital transactions: Short term, other than liquid liabilities; long-term bank liabilities to foreign official agencies; nonmarketable U.S. Government liabilities; unscheduled debt payments on U.S. Government credits; and Government sales of foreign obligations to foreigners	....	1.2	.6	2.3	−1.3	.1	....
Errors and omissions	−.9	−.5	−1.1	−.5	−2.8	−2.0	....
Allocation of Special Drawing Rights						.9	(.9)
Balance on liquidity basis	−2.3	−1.4	−3.5	.2	−7.0	−4.4	(−3.9)
Less:							
Certain nonliquid liabilities to foreign official agencies	.1	.8	1.3	2.3	−1.0	−.2	(−.3)
Plus:							
Liquid liabilities to private foreigners and international organizations	.7	2.4	1.5	3.8	8.7	−4.5	(−6.2)
Balance on official settlements basis	−1.8	.3	−3.4	1.6	2.7	−8.7	(−9.8)

[1] Net of scheduled repayments.
[2] Excluding changes in long-term bank liabilities to foreign official agencies and in nonmarketable U.S. Government liabilities.
[3] One version of the so-called basic balance.

NOTE: Details will not necessarily add to totals due to rounding.

TABLE II.—*New issues of foreign securities purchased by U.S. residents, by area, 1962–1970*

[Balance of payments basis; in millions of dollars]

	1962	1963,* 1st half	1963,* 2d half	1964	1965	1966	1967	1968	1969	p 1970
All areas	1,076	1,000	250	1,063	1,206	1,210	1,619	1,703	1,667	1,457
IET countries, total	356	343	110	35	147	19	14	45	23	130
Western Europe, including United Kingdom	195	219	53	35	95	15		42	14	130
Japan	101	107	57		52	4	14	3	9	
Other [1]	60	17								
of which:										
Exempt from IET [2]			[3] 110	20	52	10	14	3	9	130
Subject to IET				15	95	9		42	14	
Other countries, total	722	656	141	1,027	1,058	1,191	1,605	1,659	1,645	1,327
Canada	458	608	85	700	709	922	1,007	949	1,270	776
Latin America [4]	119	13	23	208	36	68	140	144	32	120
Other countries	61	35	33	115	134	121	212	176	179	190
International Institutions	84			4	179	80	246	390	164	241

p Preliminary.
*Not seasonally adjusted.
[1] Australia, New Zealand, South Africa.
[2] Related to the export, the direct investment, and the Japanese exemptions.
[3] Represents commitments made prior to July 18, 1963, the date of inception of the IET.
[4] Includes Inter-American Development Bank issues.

SOURCE: Department of Commerce, Office of Business Economics.

Table III.—*Net transactions in outstanding foreign securities by U.S. residents, by area, 1962–1970*

[Balance of payments basis, in millions of dollars, net U.S. purchases (−)]

	1962	1963,* 1st half	1963,* 2d half	1964	1965	1966	1967	1968	1969	1970
All areas	−96	−151	102	194	225	300	−135	−61	−305	186
IET countries, total	15	−85	85	181	234	222	−111	−3	−285	n.a.
United Kingdom	31	17	23	49	9	−7	−71	−54	−173	n.a.
Western Europe	−47	−69	31	103	110	156	−25	21	263	n.a.
Japan	−23	−25	−4	----------	6	10	−5	6	−294	n.a.
Canada [1]	79	7	30	17	147	68	−8	33	−82	n.a.
Other [2]	−25	−15	5	12	−38	−5	−2	−9	1	n.a.
Other countries, total	−13	−6	10	2	−8	26	−36	−75	−51	n.a.
Latin America [3]	−25	−3	1	−13	−13	2	−13	−73	−65	n.a.
Other countries	12	−3	9	15	5	24	−23	−2	14	n.a.
International institutions	−98	−60	6	11	−3	51	13	15	31	n.a.

*Not seasonally adjusted.
n.a. Not available.
[1] Excludes Canadian repurchases, undertaken in 1966, 1967, and 1968 for reserve management purposes.
[2] Australia, New Zealand, South Africa.
[3] Includes Latin American Development Bank issue of $145 million in 1964.

NOTE: These data reflect residence of seller rather than the original country of issue of the security—the basis on which the IET applies. Also, the above data show net purchases (or sales) whereas the IET applies to gross purchases.

SOURCE: Department of Commerce, Office of Business Economics.

I would emphasize that, even if it were acceptable on domestic grounds, there is no salvation for our balance of payments in a sluggish domestic economy. As we can see now, such an economy is prone to export capital abroad, and it does not encourage long-term capital inflows. Temptations to embark on self-defeating protectionist measures would be stronger and growth in the world economy would be retarded.

What is essential is that, as economic growth resumes with more vigor, we continue and build upon the progress already made against inflation. The stability of the dollar at home is fundamental to its stability internationally and to the stability of the world monetary system. Only with the achievement of relative price stability can we hope to restore our trade and current account position to the point where it can fully support our policies of aid, defense, and unrestricted flows of private investment.

There are more specific measures that we can and must take as well.

We must also keep our export credit facilities in line with those of other countries and ensure that our tax system does not discriminate against exports as compared with direct investment abroad. In that connection, I hope this committee will, upon further review, support the proposal for a Domestic International Sales Corporation.

There is no quick or easy answer to our balance of payments problem. Domestic inflation and overheating in the late 1960's set back our efforts, and we are still struggling with the distortions and imbalances that developed as a consequence of that period. It is essential to demonstrate that we are coping with these problems and are willing to maintain the special measures required to protect our balance of payments position—including continuation of the Interest Equalization Tax.

The Treasury has no problems with the modifications to the present legislation which are contained in the House bill. To provide consistent treatment, we would also be glad to see a further provision to assure that certain domestic mutual funds treated as foreign for the purposes of the Interest Equalization Tax not be permitted such treatment on new issues. More importantly, we urge that you extend this legislation for another 2 years.

Exhibit 57.—Remarks by Under Secretary for Monetary Affairs Volcker, May 3, 1971, before the International Economic Forum, Chicago, Ill., on the evolving international financial system

My place on this program was, of course, set some time ago. My function seemed quite clear.

You faced stimulating morning and afternoon sessions on the problems of the multinational company and the Common Market, posing pressing and practical questions for the international businessman. I would presumably place those problems in the larger perspective of the international financial system. There would be ample time for the digestive processes—mental and physical—to do their work, soothed by the thought that, in a bright new world of SDR's and the IMF, Eurodollars and Federal Reserve swaps, maybe some day accompanied by crawling pegs and wider bands, all problems would somehow eventually pass away.

But if that was the "game plan" for today's program, the daily press reminds us that it is not so simple. After months of calm and little public discusssion, some points of strain and pressure have reappeared this year. A continuing large movement of short-term, interest-sensitive capital to Europe during the first quarter has brought the reserves of a few countries to an exceptionally high level, in some cases complicating their problems of domestic monetary management.

All of this is naturally inspiring a good deal of comment about the monetary system. I frankly find much of the discussion confused and confusing. But, from all this discussion, two valid points do emerge:

First, the orderly evolution of the international financial system is not something we should take for granted.

Second, when faced with a challenge, the international financial arrangements that have developed over the postwar period have shown a remarkable degree of strength and resiliency in responding to new developments and needs.

Provided that we accept the first of these points and do not relax our efforts in facing the present problems, there is every reason to believe that the pattern of success can be extended.

My basic point of departure is that all nations have a strong common interest in a stable financial environment in which flows of trade and investment can be facilitated to mutual advantage. Assurance of that stability, to my mind, does not lie in elaborating a particular set of formal mechanisms, important as they may be. The world changes too fast to foresee all the needs and requirements of the future—to anticipate all the points of pressure. Rather, it seems to me, the real test is to adapt and adjust the system to new problems as they arise without loss of continuity and stability. And we can expect new problems to arise out of the very successes of the past.

That is the case at present. Measured by results—growth of trade and investment—the postwar financial system has been immensely successful. One result is that the economies of major countries have become more fully integrated. Consumers have a broader choice of products at cheaper prices. Technology and production is transferred more readily than before by multinational companies. Broad and fluid international capital and money markets are available to serve those companies as well as purely national enterprises and governments.

These developments have brought immense benefits in economic efficiency. Yet new problems arise in their wake. In the United States, as elsewhere, the very rapidity of change in patterns of trade and investment has helped to stimulate protectionist sentiments. More broadly, as economies are more closely linked, external influences can bear more sharply on domestic policies and performance. For instance, over the course of recent years one country or another has been concerned about the difficulty of maintaining appropriate national credit policies when funds are either available from, or diverted to, international markets.

There is room for debate as to the degree of any loss of monetary autonomy. But one fact is not in dispute. International flows of short-term capital, responding even to relatively narrow interest rate differentials, have become enormously larger in recent years. These flows have had a sharp impact on both the level and distribution of world reserves. Better methods of influencing or absorbing these flows thus have become a major challenge for international monetary management. This is an example of a problem that arises out of past success in maintaining freely convertible currencies and stable exchange rates. It must be dealt with on a basis that does not simply turn back the clock and jeopardize the real benefits of the international mobility of capital.

This problem of interest-sensitive short-term flows is distinct and separable from a second important problem—the need to restore a better equilibrium in the underlying external payments of the United States and in a few other major countries whose surpluses are the counterpart of our deficit. Here a sense of perspective is particularly important. The ballooning of our overall deficit on official settlements in 1970 and early 1971 has been a phenomenon of short-term capital flows. It should no more be taken as a sign of a deterioration in our underlying position than the official settlements surpluses recorded in 1966, 1968, and 1969—when short-term capital flowed in—should have been a cause of cheer as to our basic position.

As Gertrude Stein might have put it, a dollar is a dollar in the hands of a foreign central bank; it has similar consequences for reserve growth and internal liquidity, whatever its source. But there is a vital difference—dollars matched by short-term borrowing have a string attached to them. They may leave as fast as they arrived.

A better underlying balance in world payments is, and will remain, a source of serious concern in its own right. But it should not be put out of proportion by confusing it with the problem of short-term capital flows.

A third area of challenge and change needs to be added to this list—the enlargement of the Common Market and the drive toward monetary unity within the European Community. In the longer run, these European initiatives can help promote economic as well as political stability for the world. In the shorter run, a meshing of the monetary objectives and a larger Community with the needs of the broader international system will require careful attention.

The immediate concerns in financial markets have been stimulated mainly by the first of the problems I mentioned—massive short-term capital flows. The nature of the problem is epitomized by the enormous growth of that pool of liquid funds ready to respond to narrow interest rate differentials called the Eurodollar market. The size of that market is currently estimated at over $50 billion. That is twice the amount only 3 years ago; little more than a decade ago, the market barely existed.

Between the end of 1967 and late 1969, American banks tapped the market through their overseas branches for more than $10 billion for domestic use. In the process, funds were drained from European markets. With our overall official settlements accounts in surplus, dollar holdings in some European central banks tended to be depleted and, in some instances, their internal credit markets were tighter than the monetary authorities would have preferred.

Since late 1969 the process has reversed. Our banks have reduced their takings of Eurodollars for domestic use by more than $10 billion. In 1970, these repayments accounted for some 60 percent of our official settlements deficit. To take the other side of the coin, banks and businessmen in Germany—where credit conditions were tight—are estimated to have borrowed perhaps $8 billion in relatively short-term funds abroad. Flows in this magnitude have both produced record levels of official reserves and posed difficult questions for internal monetary management in some countries.

It should be pointed out that these flows of short-term capital are essentially independent of the underlying U.S. deficit. The problems of sharp fluctuations in reserve levels and effects on domestic liquidity would have been present even if the United States had been in basic balance in other elements of our international accounts.

It is not a balance of payments problem in the usual sense of that term but a problem that arises, at bottom, from a different phasing of economic activity—and, therefore, different demands for money, different levels of interest rates, and different monetary policies—in the United States and some of the leading European economies.

Volleys of recrimination from one side of the Atlantic or another as to where the "fault" or "blame" lies serve little purpose; the fact is that it is a truly common problem. It arises out of the integration of world money markets and a legitimate need on all sides to retain some autonomy for national economic policy.

It is also worth noting that the problem—actually and potentially—is not simply an outgrowth of the Eurodollar and other Eurocurrency markets. Absent those markets, funds could and would flow in large volume through other channels. But with its efficiency in pooling and distributing funds, the Eurocurrency markets may tend to accelerate the movements and make official influence more difficult.

Moreover, we have learned the extent to which dollar inflows into foreign central banks may, instead of being derived from any U.S. deficit, reflect a rechanneling of funds through the Eurodollar markets. In essence, the mechanism seems simple. A central bank deposits some or all of a dollar inflow in the Eurodollar market. The dollars are re-lent to European borrowers, to be converted for local use. At that point, another central bank—or maybe even the same central bank—receives those dollars in its reserves. Thus, official reserves are swelled and the market's private credit extensions expanded in the process.

The total of world reserves can be influenced too by official holdings of currencies other than dollars. In fact, available data suggest total foreign currency reserves of foreign countries rose by some $14 billion in 1970, about twice the amount that can be accounted for by the financing of the U.S. official settlements deficit.

The problem of short-term capital flows has been widely recognized. President Nixon drew attention to the need for study in his report on "U.S. Foreign Policy for the 1970's." I am glad such studies are now getting underway in appropriate international forums.

Some lines of approach have already developed. The U.S. Government, for its part, has in recent months borrowed some $3 billion of Eurodollars, thus freezing that volume of funds for use in the United States and reducing the potential flow into foreign central banks. The United Kingdom, with suitable control apparatus available, has limited external short-term borrowing by its companies. Central banks will want to reappraise their practices in depositing funds in the Eurodollar market.

More important, in terms of the source of the pressures, recovery in the United States and the passing of overheated boom conditions in some European countries could help bring conditions in domestic markets into better balance, reducing and eliminating the underlying incentives to transatlantic capital flows. Appropriately flexible use of fiscal and monetary policy on both sides of the Atlantic, consistent with domestic aims, can make a contribution in this respect. Excessive emphasis on monetary policy can only complicate the problem.

None of these measures provide an easy, all-encompassing solution. As indicated, the problem is being approached from a number of directions. But there is one basic point upon which national views converge—that this problem can and should be handled by cooperative arrangements within the basic framework of the convertible currency system at stable exchange rates.

Those impressed with pressures on the dollar from short-term capital outflows today have short memories, indeed, if they forget their counterpart in pressures on a number of European currencies less than 2 years ago—when it was in the United States that money was relatively tight. As the Managing Director of the International Monetary Fund, Mr. Pierre-Paul Schweitzer, recently remarked, despite our best efforts to keep flows limited, the world "shall have to learn not to be unduly upset when the movements are nonetheless large."

The countries of the European Community will face the same problem as they pursue their movement toward monetary unity. In a sense, the problem will be more acute as those economies are financially integrated. The ultimate objective is to eliminate any margin of exchange rate fluctuation or controls between their currencies. Eventually—but still many years off—a unified currency, with its implications of common monetary and other economic policies, could provide a capstone for a successful effort.

This development potentially could bring an important new element of stability into world monetary arrangements. We would have a new, cohesive economic unit comparable in size to the United States itself. A number of important currencies would ultimately be locked together.

But that is for the more distant future. The member countries face a delicate period of probing and testing new institutional arrangements over a period of years. Not all the implications—either for member countries or the rest of the world—can be fully foreseen. What does seem imperative is that, in this process, preoccupation with internal needs not exclude attention to the broader requirements of the international financial system—while we, for our part, accept the validity of their objectives.

An outward-looking European Community can be a highly constructive force in other directions. The United States, for many years, shouldered the burden of leadership—in defense, in aid, and in the promotion of free and open markets. As other economies have strengthened, they have properly assumed more of the burden—most notably in economic assistance. Nevertheless, it seems fair to ask whether that process is going fast enough; and the answer is directly relevant to our underlying balance of payments position.

I referred earlier to the need for a distinction between our basic deficit—that is, the total of our current and long-term capital accounts—and the total size of the recent dollar outflow, so heavily influenced by short-term capital. The basic deficit has been in the neighborhood of $2½ billion in recent years, an amount equal to about 3 percent of our total trade and less than 2 percent of our total external transactions. A deficit of that magnitude should certainly be manageable for a time, whether viewed from the standpoint of its effect on our international liquidity position or its impact on flows of funds to other countries. The size is not so great as to appear prohibitive in terms of achieving adjustment over a reasonable period.

Yet the problem has persisted for years. Are there elements in our payments situation that resist normal adjustment processes?

It is a fair question. But it leads, in good part, to others. The United States is now paying out overseas nearly $5 billion a year for military purposes—not only in Vietnam, where we can now look forward to a reduction in military expenditures, but also in large part in strong industrialized countries such as Japan and Germany. Even after allowing for foreign defense spending here and other directly offsetting items, the cost nets out to over $3 billion.

The United States market—a huge and open concentration of affluent consumers—is understandably an attractive target for foreign exporters. Through the postwar period, the United States has taken a constructive lead in negotiations to break down trade barriers. Those policies are under attack at home. We do not want to see the clock turned back.

The question quite naturally arises as to whether, in the world of the 1970's, the time has come for the rest of the world to do more. A stronger Common Market, for instance, can surely provide a larger share of the defense burden—whether measured by internal budgets or balance of payments costs—that weighs so heavily on the United States. Surely, the discrimination in trade inherent in some policies of the Community—agriculture and preferential trading agreements—can be alleviated.

Certainly the countries of continental Western Europe are in a strong trading position. But they did not last year have exceptionally large surpluses in their own basic accounts, and I see no insurmountable adjustment problem on that side of the equation.

There are major surplus countries—and these are of more recent vintage—in Canada, Japan, and some of the developing world rich in natural resources. Each of those areas has particular problems that have tended to inhibit external adjustment. Canada has had a considerable period of relatively high unemployment and slow growth. Japan still maintains considerable restrictions on both imports of goods and capital exports. In these cases, the external positions could be brought toward better balance by measures that seem fundamentally in their own interests.

But, of course, the responsibilities don't stop with others. Stability in the international financial system is not a result of its mechanical structure forcing a more or less automatic equilibrium in external payments. Rather, it grows out of an interrelated network of national practices, international rules of conduct, and institutional arrangements. Some of it is formalized and codified, and some is not. The whole functions effectively only on the basis of mutual coordination, consultation, and respect.

Inherently, this is a two-sided process. The United States, as the largest participant and custodian of the principal reserve currency, has a large responsibility. We cannot escape it and anticipate a smoothly operating system.

First among these responsibilities lies internal growth and stability. By and large, our record in that respect has been reasonably good. Typically, our price performance has stood in the first rank of the industrialized countries.

But our performance fell short in the late 1960's. In the agony of an unpopular war overseas, we failed for several years to face up to the need to control the inflationary repercussions at home. We paid a heavy price, not only in terms of domestic inflation, but a weakened competitive position internationally.

In 1969 and 1970, the needed fiscal and monetary medicine was taken to correct that damage. A further cost was entailed—considerable unemployment. Inflation has been slow to yield—but it now is yielding. Indeed, our current price performance again ranks with the best.

In a world of rampant inflation, we cannot be satisfied by this relative performance. We expect to make further progress in dealing with inflation as the economy expands. Gradually, this should help restore our competitive position, while providing a solid basis for continued confidence in the dollar.

This is not enough. We must also move forcefully to assure access to and enlarge our markets abroad, to support our export effort by appropriate tax and credit policies, and to seek a better sharing of the defense burdens. Our competitive opportunities and balance of payments considerations must be an active ingredient in our foreign economic policies.

Plainly, there is room for hard bargaining—and even misunderstanding—in this process as particular interests conflict. But there should be no room for confusion on one basic matter.

The international stability of the dollar has been and remains critical to the orderly evolution of the international financial system—an interest we share with every leading country. Our common objectives of orderly growth, beating back inflation, resistance to protectionism, and even the monetary development and enlargement of the Common Market rest in good part on international financial stability. With the cooperation of others, large and small, we mean to defend that stability.

In the welter of news reports as to the views of one country or another—actual or alleged—on one specific matter or another, that fundamental common interest should not be obscured.

Maintenance of an effective monetary system is not just a U.S. problem or a "foreign" problem. It is a common problem.

We cannot passively pretend that all the responsibilities for action lie elsewhere. Nor can others expect to thrust the whole burden on us.

That has been the basis of the evolution of the international financial system during the postwar period. I believe it is the proper basis for future progress.

Exhibit 58.—Statement by Under Secretary for Monetary Affairs Volcker, June 17, 1971, before the Subcommittee on International Exchange and Payments of the Joint Economic Committee

This subcommittee has earned a reputation for stimulating inquiries into the workings of the international monetary system, and I am happy to participate in that process again today.

I intend to concentrate, as the Chairman requested, primarily on problems of short-term capital movements and the Eurodollar market in the light of recent disturbances. However, I believe it is useful to approach that problem in a somewhat broader setting.

The U.S. balance of payments problem has two separable aspects:

The first is the deficit in our "basic" or underlying payments, including the current account and long-term capital transactions;

The second is our fluctuating position on "short-term capital" transactions, covering transfers of liquid assets in response to differing monetary conditions and interest rates in the United States and in foreign financial markets.

These two elements in our payments—separate conceptually though they cannot be entirely distinguished statistically—are subject to different and sometimes opposing influences. The distinction is critical to an understanding of what has been happening in the past year and of appropriate policy approaches.

The very wide swings in our overall balance on official reserve transactions in recent years are not explained by drastic changes in the basic balance, which has been running in a range of about $2½ billion to $3 billion in the past 2 years. A deficit of that size—when our total international transactions run to $150 billion a year or more—should not be and is not unmanageable over a limited period. Specifically, it did not trigger the recent disturbances.

However, the persistence of a basic deficit has been a most serious problem. Over time it has eroded our international liquidity position—the relation between our official reserves and other quick assets and our short-term liabilities. We have not made satisfactory progress in reducing and eliminating that deficit; and until we do, confidence in the international value of the dollar can be undermined.

Solution of this basic balance of payments problem requires fundamental improvements in both our domestic economy and the international setting that will permit restoration of a stronger competitive position internationally. While it becomes tiresome to repeat the point, we must never lose sight of the basic need to restore our own economy to a position of balanced, noninflationary growth. This will directly improve both our competitiveness in foreign trade and our capacity to attract investment. More than that, by restoring internal stability, America can resume its accustomed role as an anchor of stability for the world economy—a world economy now rife with inflation—and doubts about the value of the dollar would be dissipated.

We must undertake more selective measures as well, particularly to increase the opportunities of our exporters to those long enjoyed by foreign business. Removal of tax disadvantages through the creation of the Domestic International Sales Corporation, and the provision of competitive export credit facilities are two cases in point. At the same time, the responsibilities extend beyond action by the United States alone. We cannot shrink from tackling the problem of obtaining a balanced and fairer sharing of responsibilities in trade and defense. Commitments that were undertaken and attitudes that were shaped 25 years ago, when only the U.S. economy was strong and our aim was to nurture the rest of the world back to health, need to be reviewed and matched to the realities of today.

So much for our basic accounts. The short-term capital accounts have been subject to much larger swings, and it is these wide swings which were mainly responsible for the unusual surpluses in our overall balance on official reserve transactions in 1968 and 1969 and the subsequent enormous deficits in 1970 and the first part of 1971.

Our short-term capital transactions resulted in inflows of close to $3 billion in 1968 and $5½ billion in 1969—years in which international funds were being attracted to the United States—which then shifted to an outflow of almost $8 billion in 1970 when funds were being attracted to European markets. This represented an enormous turnaround of $13.5 billion between 1969 and 1970. In the first 5 months of 1971, the rate of short-term outflow apparently increased much further, although comprehensive data are not yet available.

Of course, the other side of the coin was massive capital inflows into other countries—primarily a few European countries where money was relatively tight. It was these short-term capital flows, and not the underlying payments positions of the United States and Europe, which more immediately led to the recent monetary disturbances in Europe and led to new questioning about the monetary system. Obviously, massive flows of short-term capital have come to present a major problem, and it is not very enlightening or useful to point a finger at the policies of one country or another as the source of the difficulty. The hard fact is interest rates and monetary policies differ among countries, in large part because their basic economic circumstances differ. Under conditions of free convertibility of currencies and fixed exchange rates—the cornerstones of our trade and payments system—vast amounts of private short-term funds can move to any financial center where interest rates are higher than those prevailing elsewhere, or to speculate on possible exchange rate changes. Such flows can put heavy pressures on countries' exchange reserves and balance of payments and seriously impair the ability of a nation to pursue a monetary policy keyed to its domestic economic objectives and needs.

Throughout 1970 and the early part of 1971, there were very large short-term flows from the United States to Europe—mainly Germany—because of cyclical differences between the two areas. The United States had moved into a situation of high unemployment and unused capacity. A reduction of interest rates was necessary and inevitable. High cost funds, which had been attracted to the United States during the previous years of tight money and inflationary boom, quite naturally moved back out. The funds shifted largely to Germany, which had then introduced policies of monetary restraint to deal with its inflation.

Ironically, monetary authorities on both sides of the Atlantic had taken steps to moderate these flows and, in fact, the interest rate differentials had begun to narrow, when strong apprehension developed that the German authorities might seek to better insulate their economy from external monetary influence by "floating" the mark. As a result, interest-induced flows were massively supplemented by hedging or speculation against the possibility of a rise in the value of the mark; and in the face of those forces the decision was taken. Four other smaller countries modified exchange rates or exchange rate practices in the light of the German action.

The problems brought out by these short-term flows raise fundamental and difficult issues about the present monetary system or, indeed, about any monetary system linking independent national economies. Nations can devise ways to moderate or even eliminate capital flows, but they cannot do so without costs—possibly heavy costs. We like the benefits of an interdependent world spawned by fixed exchange rates and convertibility, but we don't always like the other side of the coin—a restraint on independence in national monetary and other policies.

We like the convenience and efficiency of an integrated world capital market—but not the disturbance of massive capital flows.

There are no pat answers or easy solutions—no way to escape difficult decisions and hard choices. But the general lines of our approach should be clear. We don't want to destroy the system of integrated capital markets, generally free convertibility, wide freedom of trade and payments, and reasonably stable exchange rates. Our aim must be to correct the shortcomings of the present system without losing the benefits.

In that effort, much attention is now focused on the Eurodollar market.

In approaching that question, two preliminary points need emphasis:

First, the main function of the market is to channel short-term capital flows. Although the credit-creating potential of the market has received much attention, lately its basic function has been that of an intermediary, not only between the United States and Europe, but also between any depositors and borrowers anywhere in the world. As a channel, the Eurodollar market may facilitate large flows, but it is not that market which gives rise to the differences in national economic conditions and interest rates from which the basic incentives arise.

Second, there is a real question whether curtailment of the Eurodollar market would not stimulate a search for alternative channels of international credit distribution. The Eurodollar market developed as an efficient natural response to a market need. The forces which operated to produce the Eurodollar market would operate to find other channels.

Nonetheless, there is increasing concern—legitimate concern—about the disturbances caused by short-term flows through Eurodollars and otherwise. We have learned more about the credit creation potential of the market as central bank placements have increased. I believe it is also fair to conclude that the Eurodollar market itself—given its size, flexibility, sensitivity, and relative freedom from official constraints—has increased the speed and magnitude of the flows, making the problem more acute.* At the moment, studies of particular aspects of the problem are underway in the International Monetary Fund, the Organization for Economic Cooperation and Development, and the Bank for International Settlements (BIS), as well as by the authorities of a number of governments.

Several approaches seem relevant.

Nations can, and in varying degrees do, meet the problem of short-term flows by modifying their mix of fiscal and monetary policies—in effect relying more heavily on fiscal measures for domestic adjustment and curtailing capital flows by keying monetary policies to international rate structures. But this has not been a fully adequate solution. Both political and economic factors militate against the kind of rapid and massive shifts in policy instruments that would be required; in the world in which we live, nearly all countries will want monetary policy to carry a laboring oar in terms of domestic policy.

Another approach entails use of direct controls in attempts to control short-term capital. In fact, that approach is sanctioned by the International Monetary Fund, and controls are widely used abroad. The present Federal Reserve Voluntary Foreign Credit Restraint Program and the Commerce Foreign Direct Investment Program place some limits on U.S. banks' and firms' freedom to export short-term capital. But experience shows plainly an extensive exchange control system would be required to achieve satisfactory control over short-term flows—even then, leakages are large when the incentives to movement are strong. Although some controls may be tolerable, we in the United States would certainly not want to see a movement to widespread controls either here or abroad.

A third approach involves some extension of banking regulations of a type common in domestic markets to the foreign operation of banks. In 1969, the United States imposed reserve requirements on U.S. bank borrowing for domestic use in the Eurodollar market above a base level. That move moderated the flows into the United States that were then occurring. In 1970, the reserve requirement was modified with a view to moderating outflows.

These U.S. moves, and moves by some other nations to influence their own banks' operations in the Eurodollar market, have been of limited significance. Eurodollar banks still operate for the most part free of the banking regulations common in almost every country with respect to domestic and local currency operations.

The result is certain competitive advantages over domestic banking operations which, for instance, may enable a Eurobank to offer higher rates to depositors and lower rates to borrowers than regulated competitors. The question has been raised, as well, as to whether further regulation or surveillance of credit practices would not be desirable to protect the credit structure of the market. There are, of course, dangers in overregulation. The multiplicity of jurisdictions in which Eurobanks can and do operate perhaps provides adequate protection against that danger. But that same diffusion of responsibility should not be an excuse for inaction in instances where action is needed, so we have welcomed study of these problems.

Finally, an approach is being developed currently toward consciously employing official borrowing and lending operations in the Eurodollar market to influence the supply of and demand for funds—a sort of international open market operation. Both the United States and other industrial nations have taken steps in this direction in a manner fully consistent with the mechanisms of free markets.

The United States has sold $3 billion of special Export-Import Bank and Treasury securities in the Eurodollar market, absorbing funds which otherwise may have moved through that market to foreign central banks. Other important

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*Statistics just published by the BIS on the size and characteristics of the Eurodollar market show that in 1970 the market continued to grow rapidly—for all Eurocurrencies the market grew by $13 billion to $57 billion; and for Eurodollars alone, the market grew by $8½ billion to $46 billion.

industrial nations have agreed that they will not place additional official funds in the Eurodollar market. This action, in the first instance, also reduces the flow of dollars to the Eurodollar market. Perhaps more importantly, it limits the potential for "recycling" which occurred in the past, when Eurodollars were multiplied as European central banks put funds in the Eurodollar market which were lent back to European firms, sold to the central banks, and redeposited in the Eurodollar market—a process which could go on over and over again.

There are clear possibilities for further official operations. In addition to agreeing not to add to their Eurodollar placements (which rose last year by nearly $7 billion, the Bank for International Settlements estimates), the central bankers could reduce present placements. The Chairman of the Bank for International Settlements has announced that they will do so when prudent in the light of market conditions (an appropriate "caveat," since large and sudden shifts could have drastic effects on Eurodollar interest rates and market conditions which could generate large flows).

The U.S. Government, for its part, can assist in this desirable process by helping to provide suitable investment outlets for official funds in our market or by raising, in appropriate circumstances, additional funds in the Eurodollar market.

Recent developments also point to the relevance of considering an approach from another direction—that of exchange rate practices. This is a large subject, and I will comment on only one aspect immediately concerned with dampening short-term capital flows. As this subcommittee is aware, a wider margin of permissible exchange rate fluctuations around parity has been examined by the International Monetary Fund and elsewhere. The present margin is set at 1 percent in the Articles of Agreement of the International Monetary Fund. By widening that margin somewhat, potential exchange rate fluctuations could increase somewhat the risks of "in and out" exchange transactions by those seeking to take advantage of interest rate differentials or by speculators. On the other hand, too wide margins would increase uncertainties for trade, and such a change in the view of some countries might cut across their efforts to achieve a closer monetary and financial integration. Here, clearly, is an area where a choice needs to be made, and I believe a decision should be reached in the context of IMF discussions.

I would not conclude that any of the approaches I have mentioned—controls, Eurodollar market regulations or supervision, official borrowing or lending, or wider margins—provide more than partial answers to the questions posed by short-term capital and Eurodollar flows. But in particular situations, each has important elements of value. Several partial answers can go a long way to an adequate solution.

I believe we have no real choice but to learn how to better influence, live with, and accommodate to the large international money flows which can arise in today's world. We have recently had some taste of the damage they can do even though the system proved able to accommodate to large flows for a considerable period. I have only to ask myself what would have happened in 1970 if we had "not" had the ability to adapt to large flows. Could the United States have been expected to increase interest rates drastically and cut off our hopes for economic recovery? Should Germany have been asked to throw its anti-inflation restraints out the window? Should we have retreated behind a wall of exchange controls? Or should we have been prepared to give up the advantages of reasonable stability in exchange rates and broad and fluid international capital markets?

None of these is a satisfactory or acceptable approach. The alternative is less dramatic—but, in the end, more meaningful. It entails developing a variety of measures that will not unduly compromise our basic objectives with respect to the international financial system. That is the course upon which we are embarked.

Exhibit 59.—Statement by Under Secretary for Monetary Affairs Volcker, June 24, 1971, before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee

These timely hearings are one manifestation of a significant fact: There is a growing sense of urgency about issues of foreign economic policy in the Congress and among our citizens. The administration shares this concern.

The immediate reasons are plain. In important areas, the competitive preeminence of American industry—once taken for granted—has been lost or is severely challenged. The once large surplus in our trade balance was sharply eroded in the latter half of the 1960's. The result has been heavy pressure on our international payments position, and recent monetary disturbances have raised warning signals about the international monetary system and the position of the dollar within it.

All of us as consumers benefit from the ready availability of a wide range of imports. But those same imports have posed difficult adjustment problems for some of our industries and workers.

Meanwhile, a generation after the Second World War, our far-flung security interests continue to place a heavy burden upon the Nation, absorbing some 8 percent of our gross national product. That is far more than the proportionate cost to our allies. Nearly $5 billion of our expenditures are abroad, about $3 billion more than offsetting receipts.

The economic progress of the developing world, with some glittering exceptions, has not been so rapid or readily visible as was the postwar recovery of Europe and Japan; still the need for development aid continues at a high level.

Out of these events and trends can come a sense of disillusion and frustration. The resurgence of protectionist pressures is one symptom. In other areas, too, including defense and aid, there are symptoms of a yearning to retreat from responsibility—to turn within ourselves.

Understandable as these yearnings may be, I am convinced they must be resisted in our own economic interests as well as in the broader interests of a flourishing and peaceful world economy. But this resistance will not be successful if it becomes the equivalent of "standing pat."

There have been vast changes in the world economy. The United States emerged from World War II as the dominant economy. Europe and Japan lacked both productive power and purchasing power.

Now, the balance of economic strength has shifted dramatically. The U.S. economy is still the largest—but it no longer dominates. Other industrialized countries have advanced more rapidly. We helped in this process, at first directly by aid, by assuring the security of the free world, and by fostering a free and open trading system. As foreign recovery proceeded, our businesses invested abroad, not only money but their technology and managerial skills.

These policies were adopted because we conceived them to be in our interest, as well as that of other countries. I believe the fundamental objectives remain valid today. But, in their specifics, our policies have not kept pace with the needs of a changing world economy. Unless we attack the evident problems directly and forthrightly, our basic objectives will be lost.

The U.S. basic balance of payments position provides one perspective on the problems we face today. Our underlying position can be traced in the so-called basic balance, which excludes the large and often transitory flows of short-term capital which can move rapidly from nation to nation in response to interest rate differentials or currency speculation. It encompasses our trade and other current transactions as well as long-term capital transactions.

By a definition soon to be incorporated in our regular balance of payments presentations, this basic balance last year was in deficit by $3 billion—the latest and one of the largest in a series of persistent deficits running back through most of the sixties and earlier. In the early postwar years, deficits in the U.S. payments were a desirable and more or less deliberate consequence of our trade, defense, and aid policies. There was a need for both U.S. resources and U.S. dollars abroad. We not only had the productive resources but most of the world's reserves. The pattern of present international trade and payments policies was formed and our overseas defense commitments established when other countries had limited capacities and a major objective was to assist their recovery.

But, in the 1950's, this process of recovery was completed. In the past decade, our economic supremacy has been challenged. Yet, in these quite different circumstances, our deficits have continued, in good part because of the new competitive strength of our major trading partners.

Despite an improvement in our trade surplus in 1970, it remained far below the levels of the early 1960's. From a peak of $6.8 billion in 1964, it had dropped to $2.1 billion last year. This deterioration was the major factor in our basic deficits in recent years.

Policies and a deficit that were once the mark of a wise creditor have come to erode our strength and undermine the international stability of the dollar.

The phenomenal progress recorded in the postwar years by other industrial

439-865 O—71——34

countries—and particularly by continental Europe and Japan—is not always adequately appreciated. Specifically, between 1950 and 1970:

Real output of European Community members grew threefold and, of Japan, grew by fivefold from 1950 to 1970—well above the level for the world as a whole.

Exports of the European Community grew by a multiple of 10 and Japan by a multiple of 20—while total world exports grew by a multiple of five.

The European Community now is the world's largest trading unit. Japan now stands second only to the United States in the free world in terms of total output. Reserves of the six Common Market countries are more than two and one-half times our own and Japan's more than half as large as ours.

These countries, along with the rest of Western Europe and Canada, can produce and compete with us on an equal footing, and they are doing so. We should not shrink from their competition, but we do need to assure a fair balance in responsibilities as well.

We should not anticipate finding monetary solutions to problems rooted in other factors. Improvements in the monetary system are important in their own right. But we must beware of proposals for sweeping changes that would threaten the basic stability and integration of the world financial system upon which all countries depend. I believe we are working to deal with the points of monetary pressure, but these improvements must be accompanied by changes in other directions.

Moreover, there is no use looking abroad for remedies to those problems that started at home. We are not simply a victim of external events or international policies rooted in the past. The most critical and fundamental need is to restore our own economy to the path of vigorous, sustained, noninflationary growth.

We fell down on that job in the late 1960's. Only by dealing with our inflation can we meet the basic requirement for strengthening our trade position—to make us more competitive in international costs. Our high standard of living goes hand-in-hand with relatively high labor costs. Our trade patterns will naturally reflect a comparative advantage in agricultural goods, certain natural resources, and high technology and capital-intensive products rather than labor-intensive industry. But restraint on overall costs and prices is essential if our total trading position is to be strong.

Government can and should help by providing competitive export credit facilities, by equitable tax policies, and by supporting our technological leadership. We cannot expect to compete effectively if we fail to provide this essential support; certainly our trading partners have long done so. The administration has proposed legislation to strengthen the Export-Import Bank, better assuring its ability to match the facilities available to our competitors. Our proposed Domestic International Sales Corporation would change tax treatment of exports to achieve a better parity of treatment with that provided foreign production and encourage our companies to develop markets overseas. We need to emphasize research and development efforts in both the public and private sector.

The private sector has a role in this effort as well. Our private industry must rise to the challenge of competitive marketing at home and abroad. Business and labor alike must realize their mutual responsibility to temper wage and price increases to the realistic facts of the tough, competitive world of the seventies.

These efforts are basic, but they cannot be fully effective without bringing our network of international economic policies into accord with the evolution of the world economy. Recognition of this need and of the fact it cuts across so many aspects of our policies and the work of so many executive departments was made explicit in the formation of the Council on International Economic Policy some months ago.

While the solutions are never easy, the nature of the problem is clear enough. In a number of areas, we have acquiesced in arrangements and policies that, taken together, give rise to competitive burdens and costs that do not fit the facts of today's balance of economic strength. For instance:

Is not the currrent practice of the European Community in negotiating preferential trading arrangements with an ever-increasing number of third countries a form of trading discrimination, contrary to the most favored nation principle embodied in General Agreement on Tariffs and Trade (GATT)?

Is it appropriate that Japan, with an enormous trade surplus, should maintain widespread restrictions on imports? Does not the rapid penetration of the American market by Japanese industry to some extent reflect limitations by European countries on a variety of imports from Japan?

With Canadian payments in a strong position and upward pressures on its exchange rates, can presumably "transitional" barriers to U.S. auto exports to that country any longer be justified?

Is it an appropriate sharing of defense burdens that the United States pays some $5 billion for military spending abroad, half of it in the industrial countries of Western Europe, Canada, and Japan, with less than half of that offset by military purchases and other offsetting payments in this country?

Is our natural competitive advantage in important agricultural commodities blunted and distorted by widespread efforts to protect agriculture abroad, such as the European Community's common agricultural policy?

Reorientation of foreign economic policies will not be achieved overnight. In the process, we must realize that the United States is not free of trade and other restrictions. If we expect others to recognize the need to restore a better balance in international economic relationships, we must ourselves maintain an outward orientation and seek solutions not in protectionism but in a context of expanding trade and liberal payments.

I do not underestimate the difficulties. But the alternatives are not acceptable. On the one hand, we cannot permit our international economic position to be further eroded by failing to recognize the changed capacities and responsibilities of our trading partners. But in vigorously seeking a better balance, we cannot, on the other hand, find an escape in protectionism where we would all end up losers—Americans and Europeans, farmers and laborers, producers and consumers. In recognition of these dangers on both sides, we must emphasize the need for calm and dispassionate discussion of the issues with our friends abroad in appropriate channels.

We welcome the efforts of this subcommittee to insure understanding of our changing economic relationships and the need for updating our foreign economic policies. Only with this understanding at home and abroad can we steer our way through this difficult period.

Exhibit 60.—Remarks by Assistant Secretary Petty as Temporary Alternate Governor for the United States, April 16, 1971, at the 4th annual meeting of the Asian Development Bank, at Singapore

My congratulations to Singapore and her distinguished Chairman for the gracious hospitality provided the fourth annual meeting of the Asian Development Bank.

Singapore has a symbolic significance for this meeting: This dynamic nation has learned well the lesson that economic progress is best served by international cooperation in trade and finance. That lesson is also basic to the Asian Bank, which rests on the idea that financial cooperation among nations, mutual respect, shared purposes and shared responsibilities best foster development progress.

The Asian Bank applies these ideas at the regional level, giving special attention to unique needs of the area and drawing on special knowledge of national conditions. It does this in a way that actively involves the participation and concern of the developed non-regional countries where financing for Asian development as well as markets for Asian goods are to be found.

United States policy is to further international financial cooperation. This includes actively facilitating the Bank's special role on the Asian scene—an objective served through various actions. The United States is pursuing its goal of ending its military involvement in Vietnam. The achievement of peace in the area will expand the scope for further constructive action by the Asian Bank. The United States is adapting the style and content of its international relationships to meet changed conditions. We will continue to play our part in affairs beyond our borders. We will do so, however, increasingly through new forms of partnership with other countries. As part of the vast changes which have taken place in the world in the last two decades, other nations are now stepping forward, quite properly, to share in the necessary task of helping the lower income countries fashion their economic development dreams into reality. The lower income countries themselves are extending their efforts to bring about the maximum employment of their own national energies and resources. The Asian Bank, in its concept, its present operations and its approach to the future, embodies this perception of the appropriate roles and responsibilities of developed and developing countries during the seventies.

President Nixon is charting a new course for U.S. development assistance efforts, calling for an increasing reliance on multilateral institutions and for substantial change in U.S. bilateral programs. Multilateral institutions will increasingly provide the framework within which our direct economic assistance is given. We look to worldwide and regional multilateral institutions to provide leadership and innovation. We are confident we find this in the Asian Development Bank. This fact makes it particularly disappointing that we have not yet been able to evidence our increasing reliance on multilateral assistance by completion of legislation authorizing a U.S. contribution to the Special Funds of the Bank. While I remain confident that legislative approval will be forthcoming, it is only fair to note that an element of "aid fatigue" has developed in my country; that is, certain misgivings on the whole question of development assistance exist. This weariness, perhaps, explains the protracted schedule of our legislation. The competition of unfilled domestic needs takes on new prominence in the presence of mounting demands at home for the satisfaction of pressing social, environmental and infrastructural improvement. In the face of these needs for domestic investment, the continued appropriations of funds for external official assistance is receiving increasingly close scrutiny. The question of competing priorities and the allocation of available funds becomes the legislative issue.

Certainly, however, the underlying elements which made economic assistance vital in 1951 and 1961 remain equally present in 1971. We realize that just as gross disparity in well-being leads to problems at home, so is such disparity abroad an obstacle to the achievement of a tranquil and just international order.

In addition to this competition of priorities, there is concern that the external financial exposure of the United States should be curtailed. Doubts are raised over our continuing to play the role of a donor nation, for example. There is no question but that the protracted deficits in our international accounts must condition the conduct of our international responsibilities. Yet here too we must weigh the need, in the overall interests of the international community, to assist less-advantaged members of that community. An appropriate scale of priorities for the United States does indeed include provision for helping to meet that need.

Under the able leadership of President Watanabe and the fine staff he has put together, the Bank has made good progress since the last meeting of the Governors. Its viability as a financial and development institution is now unquestionable. New loans authorized in 1970 reached a record total of $245 million. Such a scale of operations compares favorably with other international lenders in the region and is a satisfactory platform for steady future growth. I believe the Bank has made a good beginning in the application of its resources to technical assistance at the project level as well as in its role in fostering harmonious regional growth in Asia.

The Bank has already mobilized $120 million through borrowings and is establishing itself as a respected name in the capital markets of the world. The United States recently authorized the Bank's first entry into the U.S. market, through a $50 million offering whose underwriting agreement was signed 2 days ago in Singapore.

Of course, the very fact that so large a total of new loans was put on the books last year highlights the importance of an ongoing program of ever-improving loan administration. As the Bank recognizes, a satisfactory rate of disbursements of existing loans, coupled with close project supervision, is essential to the success of any development financial institution. In this connection, the Bank has provided special help to borrowers, when necessary, to overcome administrative bottlenecks. More of this type of effort and new ways of encouraging quicker physical progress should be encouraged. President Watanabe's statement reflects his attention to this important area.

But the Asian Development Bank is not simply a vehicle to bring together and lend financial resources. It must be a source of advice in planning, of guidance, of technical assistance, of standards for those nations eager to direct their own economic progress.

The Bank should address itself to aspects of development beyond the problems of financing basic facilities necessary to launch accelerated growth. It can encourage thinking in terms of the broad concept of national goals, the establishment of priorities for the use of limited resources and the development of a national commitment to achieving these goals—with the ultimate objective measured in terms of benefits to the people. And there can, of course, be no real net contribution if external assistance funds simply make possible the diversion of other resources to nonproductive purposes.

The qualitative contributions of this Bank thus can be as important as the quantitative ones. These qualitative contributions cannot be adequately measured by reference to the number of loans committed, the rate of lending or the volume of applications received. Such statistics give no regard to the sense of cooperation and joint participation engendered; no recognition to the ties of commerce and personal interchange between nations that are enhanced; no measure of the value of the wise counsel which turns a country away from a poorly conceived project or identifies one of special promise. Yet, such broad assistance is what our Asian Development Bank can and must offer if it is to realize its full potential.

A development bank's job is not over when the final disbursement on a loan has been made. As time goes on, the Asian Bank will have more and more projects that have been put into full operation and whose results can be measured against the purposes and accomplishments predicted at the time of project approval. The Bank must develop an evaluative capability so that these results can be reviewed and the lessons to be learned can be extracted. Such an independent evaluation is a modern management tool that will help us all to address honestly two important and constructive questions: "How could we have done it better?" and "What does this teach us for future loans?" I know President Watanabe is directing his planning toward the development of appropriate mechanisms for such an appraisal.

Replenishment of the Bank's capital is an important item for discussion at this annual meeting. Through its Director, the United States is ready to begin discussions necessary to develop a timely and well-structured proposal to meet the Bank's ordinary capital needs. In doing so, we see a need for placing primary emphasis on a growing reliance on borrowed resources, while maintaining a sound capital structure. I do think that any discussion of the actual details of replenishment today would be premature, since our task here is simply to set a study in motion. But I do not doubt that this procedural step is vital if the resources are to be available to support the volume of lending the Bank is capable of.

Mr. Chairman, it is remarkable in itself when representatives of 36 nations—diverse in culture, far-flung in geography, differing in size and type of economies—can sit down together and work with the harmony of views and purpose that we find at this meeting. It is nothing less than extraordinary that these 36 nations have already translated spoken harmony into positive joint action through the Asian Development Bank, and that the will exists to reach out to new accomplishments. We are all engaged here in the works of peace, dedicated to man and his hopes for a better life. It is an ennobling endeavor; the United States is proud to be a part of it.

Exhibit 61.—Statement by Assistant Secretary Petty, May 20, 1971, before the Subcommittee on International Trade of the House Committee on Banking and Currency

I welcome the opportunity to testify on H.R. 5846. Governmental assistance in the form of export financing for our industries is a critical element of this administration's program to strengthen our net trade position. The Export-Import Bank has the responsibility of operating flexibly in a manner competitive with the activities of the export credit agencies of other nations.

While there are many important aspects of the bills pending before this committee, I will direct my comments to three issues and add comments on two other points.

First, H.R. 5846 (as opposed to H.R. 8181) removes Eximbank from the unified budget and expenditure ceiling. I believe this provision must be viewed in the context of the Federal Government's total involvement in the national credit markets, the bulk of which is already excluded from the regular budget figures. For example, direct loans within the budget are projected to increase by about $2.7 billion in fiscal year 1972. On the other hand, guaranteed loans and loans by Government-sponsored agencies are scheduled to rise by $30.1 billion. In effect, federally assisted credit is already provided largely outside the unified budget. Thus, we are not faced with a question of whether the Eximbank alone should be removed from the unified budget, but rather a broader question of what kind of review, coordination, and financing is appropriate for credit programs generally, most of which are already outside the unified budget. The President in his budget message this year addressed this question and underlined this concern by noting that:

"Federal credit programs which the Congress has placed outside the budget * * * escape regular review by either the executive or the legislative branch. The evaluation of these extrabudgetary programs has not been fully consistent with budget items. Their effects on fiscal policy have not been rigorously included in the overall budget process * * *. For these reasons, I will propose legislation to enable these credit programs to be reviewed and coordinated along with other Federal programs."

Apart from these broader efforts to deal with credit programs outside the budget, Eximbank will continue under the proposed legislation to be subject to the budgetary process, and will submit annual budgets which must be approved by the President and transmitted to the Congress.

Given these specific financial safeguards, and the broader efforts by the administration to deal with the question of credit programs outside the budget, in a coherent manner, the proposal that the Eximbank have a status similar to that of many other credit programs now excluded from the unified budget is acceptable.

The second aspect of legislation pending before this committee which I wish to note is in H.R. 8181. It would require the Federal Reserve Banks to rediscount certain export paper put to them by member banks.

We oppose this proposal. Over the years when the President and Congress have decided that a given sector of the economy needs continuing Federal assistance, a specialized executive branch agency or federally sponsored institution has been created for that purpose. These agencies normally use private lenders as intermediaries to the maximum extent possible. Should the private sector need to be assured of liquidity, this has commonly been provided by or through these specialized institutions. The operations of Fannie Mae are one case in point; the home loan banks are a second example. The discount facility the Eximbank presently provides for medium-term export paper is a third illustration. The proposal in H.R. 8181 would be a serious—and unwarranted—departure from past practices.

Placing such a burden upon the Federal Reserve would detract from its primary responsibility to manage over-all monetary policy. This point is reinforced by the probability that legislation to assist exporters will inevitably invite demands for similar assistance through direct Federal Reserve Bank support for other programs such as housing, agriculture, small business, education, health, environmental and other community facilities. We cannot support setting out upon this road.

H.R. 8181 also provides for the deletion of export financing from the Federal Reserve credit restraint program. This issue has been studied and examined since February of 1965. After repeated analyses and based upon strong views of those closest to the program, the decision has been made repeatedly to keep export financing within the guidelines. Adjustments have been made from time to time to avoid restricting export credit as necessary.

I would judge the main reason exports have stayed in the guidelines is because the private banking community has failed to make the case on three grounds for their exclusion:

1. They have not shown that the credit restraint program as it is now structured denies adequate provision for export financing.

2. The banks have not demonstrated that they can adequately identify export financing from other transactions. This is perhaps less a problem today than it was a couple of years ago.

3. They have not been able to meet adequately the Government's concern that export financing would be provided for goods that normally would be sold for cash. This substitution would postpone the balance of payments benefit for the United States.

This administration has more aggressively pushed the use of export financing through the Eximbank. It has been inclined to give exports the benefit of the doubt on the question, "Was export financing reasonably necessary to accomplish the sale?" But it has not yet seen any reason why the question should not be asked at all—as long as our balance of payments controls are in effect.

Now, I have no doubt that the source and method of financing in many cases determines the source of the exports. I have been concerned that keeping the commercial banks under Federal Reserve guidelines would tend to shift more export financing to Eximbank or even shift exports abroad. This is a matter that is under constant review by the National Advisory Council which reviews individual loans. We are always at pains to determine what more can be done to increase the role of the U.S. banking community in export financing.

Now, a word about our cooperation with other countries to promote orderly competition in the financing of exports.

There are presently two international forums which provide a place for consultations on export credit. The Berne Union is a nongovernmental association of national credit agencies which provide export guarantees, credits and insurance. The exchange of information on transactions is the major function performed by this body. Through a degree of coordination of the terms of financing offered, it becomes more difficult for a prospective purchaser to play off one agency against another.

The second forum, the Group on Export Credits and Credit Guarantees of the Organization for Economic Cooperation and Development (OECD) Trade Committee, is the intergovernmental body concerned with export finance. The United States has played an active part in this Group, which is attempting to generate improved means of coordination of country policies. Agreement appears close on a means to expand the exchange of certain information by Eximbank with other national credit agencies. Generally, under this system, information is exchanged by national credit agencies, upon request, regarding terms approved for particular transactions, but not before the buyer or seller has been notified. However, we are not ordinarily prepared to give information to another national credit agency prior to notifying buyer or seller.

There have been suggestions that negotiations be undertaken to increase the uniformity of some aspects of export financing. This is a complex and technical field, and it is not at all clear that the definition other nations may be willing to apply to "orderly competition" would conform with our own view of our national interest. We are actively pursuing these contacts, however. I would prefer to term them discussions and not negotiations. With the additional experience and information we are gathering, we should be in a better position to judge what our next step should be.

The final point I would like to discuss concerns the activities and interests the Export-Import Bank has in common with the multilateral lending institutions.

First, the President's increased emphasis upon channeling economic assistance through multilateral development lending institutions should be viewed as providing our exporters—in fair competition with others— with an opportunity to bid on a growing volume of World Bank loans.

Recognizing this, a year ago the Secretary of the Treasury as Chairman of the National Advisory Council on International Monetary and Financial Policies directed that a study be made to evaluate the workings and effects of the procedures by which suppliers in the United States obtained contracts for World Bank-financed projects.

From this examination I conclude that, in general, these worldwide competitive bidding procedures work in an even-handed way. Our share of foreign procurement under World Bank loans has tended to reflect our international competitive position in the types of goods and services financed by the Bank. The U.S. share of World Bank procurement has recently been running in the 23–25 percent range. I would hope we could do better, even though this exceeds our overall performance in our share of commercial exports.

To further improve our performance, the Government has streamlined its internal procedures to accelerate the communication to industry of bidding opportunities. We seek to assist suppliers and increase their efforts to increase the business they obtain under World Bank loans. We continue to emphasize this effort to scrutinize the award procedures of these institutions. Recently we have employed an expert in international sales from the business sector to recommend further changes—if he finds them necessary.

Recently a question arose as to how the World Bank and the Eximbank cooperate on the type of projects which the multilateral institutions have financed in the past and which the Export-Import Bank has also financed. This includes large development projects which, because of their nature and large size, require that financing be shared by the multilateral institutions and the national credit agencies. While the issue arose in its largest context, the proposed expansion of the Brazilian steel industry became the focus of attention. The National Advisory Council, which since Bretton Woods has been responsible for coordinating these aspects of international financial policy, addressed itself to this issue. The staff study which was undertaken indicated that the likely U.S. balance of payments impact would not be of sufficient magnitude to be a basic policy determinant when considering alternatives. Neither the size nor direction of the impact was definite. We concluded that in providing development finance there was an important role for both the international lending institutions and for national export credit agencies such as the Eximbank.

Nevertheless, differences are bound to develop. My experience with this type of issue has been that if good staff coordination takes place at an early date—something that may not have taken place on the Brazilian steel case—the potential problems can be avoided.

I am convinced that the examination of this issue these past few months has been constructive and not divisive. The coordinating mechanism and the staffs involved have benefited from this experience. Yet, the interest we are displaying in making sure that our exporters get a better crack at contracts financed by multilateral institutions should occasion a review of the procedures of everyone involved. I am not convinced that in the past our private sector has worked hard enough to win awards from these institutions. This is understandable: bilateral aid appropriations were higher, the American economy was running at a higher rate and our contractors were limited by their available personnel on the business they could bid on. I suspect that World Bank financed contracts simply were not given enough attention. I hope that our suppliers will be giving this prospective business the increased attention it deserves.

To conclude, in preference to H.R. 8181, the Administration supports H.R. 5846. Through expanding the Bank's resources and enhancing its flexibility we can add a vital element to the administration's program to expand our export base.

Exhibit 62.—Statement by Assistant Secretary Petty, June 8, 1971, before the Foreign Operations Subcommittee of the Senate Appropriations Committee on fiscal year 1972 appropriations for international financial institutions

Mr. Chairman, I appreciate this opportunity to make a broad-scale presentation to this subcommittee on the administration's program of support for development assistance through the international financial institutions. I particularly welcome your expressed desire to hear described before this subcommittee the complete array of anticipated fiscal year 1972 appropriations requests in this field, rather than the bits and pieces. The formal submission of the requests I described today takes place, of course, through the established procedures of the Office of Management and Budget.

Because you are taking a comprehensive approach, it seems appropriate to me to begin my presentation with some brief background remarks on the growth in importance of multilateral development financing. I would then like to sketch out the various components that are expected to make up our fiscal year 1972 appropriations program, and conclude with comments on specific issues that have emerged during committee proceedings and from debate on our fiscal year 1971 supplemental request earlier this spring.

Growth of multilateral financing

Latin America offers a striking illustration of the possibilities for a policy of increased reliance on multilateral agencies. In the early 1960's, assistance from all multilateral institutions to Latin America was running about $475 million annually. By the opening year of the 1970's such economic development assistance was at a rate of about $1.5 billion or more than three times the rate of a decade earlier. By contrast, our bilateral aid programs in Latin America—including AID loans and grants but excluding Export-Import Bank financing—amounted to about $420 million per year in the early 1960's, peaked at $584 million in 1966, and declined to $411 million in 1970.

A clear shift has already taken place and will continue if the lending resources are provided to the multilateral institutions.

On the worldwide scene, a similar development has taken place. The annual level of multilateral lending to developing countries has risen from $900 million 10 years ago to $3.2 billion in 1970. At the same time, annual U.S. bilateral assistance (AID loans and grants) has declined from $2.4 billion to $1.6 billion.

The large volume of multilateral financing—cumulatively, $16 billion over the last decade—was, of course, carried on with the aid of resources drawn from all the members of the international institutions. Our own input of taxpayer funds to help make that volume of lending possible, however, was only $2.9 billion over the decade. We supplemented these with guaranty authority of $924 million, which allowed private capital markets to furnish a major portion of total resources.

Even these brief statistics make it clear that multilateral financing has the capacity to expand dramatically and that a very substantial leverage in terms of development financing results can be obtained if the United States takes up its fair share of the inputs by developed countries.

Fiscal year 1972 appropriations requests

On the basis of present planning, fiscal year 1972 appropriations requests are now or will be before the committee covering two worldwide and all three major regional development banks. These requests involve ultimate cash outlays of $995 million. Of this total, $835 million represents items newly presented in fiscal year 1972; the balance consists of items previously sought as fiscal year 1971 supplementals but not obtained in whole or in part. In addition to these resources for direct financing, we will be seeking $360 million of financial guarantee authority, in the form of callable capital subscriptions. This latter amount consists entirely of requests originally sought as fiscal year 1971 supplementals and now brought forward into the fiscal year 1972 budget. Taking direct financing and guarantees together, the fiscal year 1972 program would require appropriations totalling about $1.35 billion (see table 1).

Completion of the programs of which the present year's requests are a part would involve further appropriations totalling approximately $1.5 billion over the fiscal years 1973–1974 (see table 2). This figure excludes the $275 million appropriated already as fiscal year 1971 supplemental items.

TABLE 1.—*Anticipated fiscal year 1972 appropriations requests for international financial institutions*

[Subject to OMB approvals. In millions of dollars]

	IBRD			IDB				IDA	ADB	AFDB	Grand total
	Paid-in	Callable	Total	Ordinary Paid-in	Ordinary Callable	Fund for special operations	Total				
I. Fiscal year 1972 budget amendments representing fiscal year 1971 supplemental amounts authorized but not appropriated in second supplemental bill	24.6	221.5	246.1	25.0	136.8	50.0	211.8				457.9
II. Fiscal year 1972 budget amendment representing fiscal year 1971 amount for which appropriation request not submitted (authorization legislation lacking)									60.0		60.0
III. Fiscal year 1972 regular budget items (authorization pending)				50.0			50.0				50.0
IV. Fiscal year 1972 regular budget items (authorization pending)						450.0	450.0	320.0	[1]		770.0
V. Fiscal year 1972 regular budget item (authorization to be submitted)										[2] 15.0	15.0
Grand total	24.6	221.5	246.1	75.0	136.8	500.0	711.8	320.0	60.0	[2] 15.0	1,352.9

[1] Balance of $40 million previously to be sought in fiscal year 1972 to be deferred to fiscal year 1973.

[2] Represents appropriation request under proposed $15 million authorization from $35 million contingency amount in fiscal year 1972 budget; no legislative request foreseen during year for IFC from balance of contingency item.

TABLE 2.—*Anticipated appropriations request for international financial institutions under existing arrangements*

[Subject to OMB approvals. In millions of dollars]

	Fiscal year 1972	Fiscal year 1973	Fiscal year 1974	Appropriation total	Paid-in total	Callable total
IBRD	246.1			246.1	24.6	221.5
IDB—Ordinary capital	211.8	386.8		598.6	125.0	473.6
IDB—Fund for special operations	500.0	450.0		950.0	950.0	
IDA	320.0	320.0	320.0	960.0	960.0	
ADB—Special fund	60.0	40.0		100.0	100.0	
AFDB (tentative)	15.0			15.0	15.0	
Total	1,352.9	1,196.8	320.0	2,869.7	2,174.6	695.1

World Bank

As for the specific elements in the fiscal year 1972 program, I shall begin with those items for which authorizing legislation has already been approved. The first of these is for the International Bank for Reconstruction and Development (IBRD or World Bank). The $246.1 million request is to cover a special increase in the U.S. subscription to the World Bank, representing 11 percent of total special increases by Bank members at this time. This is the same item that this subcommittee heard in April as a fiscal year 1971 request but which the subcommittee decided should be deferred for consideration along with regular fiscal year 1972 items. It remains the view of the administration that our future ability to encourage others to increase their support of the World Bank will be seriously prejudiced if we fail in this instance to practice what we preach.

Under the policy that now calls for a subscription increase by the United States, other countries have in the past put up a total of $3.5 billion without any matching by the United States. In the present round of subscription increases, other countries are to put up a further $2.0 billion. The policy thus has great burden-sharing advantages for the United States, and it would be shortsighted for the United States to undermine it, particularly when the budgetary cost to the United States of accepting our increase is no more than $24.6 million. The costs of our not proceeding with our subscription appear much larger than the financial cost of our doing so in terms of the downgrading of our position of leadership in the field of development and of the impairment of our ability to negotiate effectively in the future to get others to assume a larger share of the development finance burden.

I wish to reemphasize that only 10 percent of this request involves cash outlay. By increasing our subscription we will also be protecting our voting position in the Bank from a further decline.

Inter-American Development Bank

Our second request is also based on authorizing legislation already approved for the Inter-American Development Bank (IDB). It covers the unappropriated balance of our fiscal year 1971 supplemental requests and a regularly transmitted fiscal year 1972 budget item as shown in the following outline:

[In millions of dollars]

	Items carried forward from fiscal year 1971	Item requested in fiscal year 1972 budget	Total
Ordinary capital (paid-in)	25.0	50.0	75.0
Ordinary capital (callable)	136.8		136.8
Fund for special operations	50.0		50.0
Total	211.8	50.0	261.8

In addition to these authorized amounts for the IDB, we intend to seek, pursuant to authorization legislation now pending, $450 million in fiscal year 1972 for the second installment payment on our contribution to the FSO (Fund for Special Operations). The Senate Foreign Relations Committee held hearings last week on the bill to authorize this second installment payment for the FSO and an identical third installment in fiscal year 1973.

I will assume that as a result of our hearings 2 months ago, the subcommittee is familiar with the overall framework of the 1970 Replenishment Agreement that underlies these IDB subscription requests. Virtually all of the Latin American members of the Bank have obtained their necessary legislative approval. Unfortunately, the action taken so far by the Congress creates an ambiguous situation with respect to the U.S. fulfillment of that 1970 agreement. In these circumstances, the Bank is moving to change the date by which member countries must accept all subscription obligations and make their first payments from June 30, 1971, to December 31, 1971. This change requires a vote by the Bank's Board of Governors, which is expected to be completed shortly.

I wish to emphasize that the replenishment resources are essential to the continued lending operations of the Bank. If the United States is unable to comply with the Replenishment Agreement, the Bank's Ordinary Capital resources will be exhausted well before its current fiscal (calendar) year lending program is completed, and FSO resources would last only until the end of this calendar year. But even if the amounts provided under the recent supplemental allowed us to accept the Replenishment Agreement—which they do not—*and* assuming that the full amounts requested as fiscal year 1972 regular items are granted, the Bank would still enter calendar 1972 with hard currency resources insufficient to fund with adequate margins both its Ordinary Capital program of loan commitments and its FSO lending programs in 1972.

The simple fact is that the Bank's loan operations are very closely linked to the amounts called for under the Replenishment Agreement—that is why we negotiated that level. We cannot cut U.S. appropriations at this time without causing a direct reduction in the amount of assistance to Latin America in the next year. This is a critical period in Latin American development. The IDB is a major instrument for channelling assistance to Latin America. Through the multilateral institutions, we help to make possible a high volume of development assistance to Latin America. By use of the leverage available in these institutions, we conserve our own budgetary funds to help meet pressing priorities at home. The U.S. 3-year input of $1.2 billion of budgetary funds—when teamed with Latin American contributions and private borrowings of $1.4 billion, plus available balances—permits the IDB to carry out a multiyear lending program of roughly $2.8 billion—a multiplier effect by a factor of more than two.

There are also several nonquantitative aspects of this replenishment which tend to be overlooked, but to which the administration attaches the greatest importance. These policy undertakings agreed to by the Latin American members of the Bank are a further evidence of Latin American commitment to development progress.

A fundamental feature of our Latin American relationships is that they are based on the idea of a mature partnership—where they take an increasing share of financial and priority setting responsibility. We must hold up our part of the bargain. The administration therefore considers it vitally important that fiscal year 1972 appropriations actions make up the shortfall from fiscal year 1971 supplemental IDB requests and cover the full amount authorized for in the current fiscal year.

International Development Association

I turn now to the International Development Association (IDA), one of the major items of the fiscal year 1972 program. Authorizing legislation for U.S. participation in the third replenishment of IDA has just been submitted to the Congress and we will be making our formal presentations on it to the authorizing committee in each House. IDA is an affiliate of the World Bank, and the replenishment will permit the continuation of IDA's concessionary loan program for the relatively poorer of the developing nations. Substantially all of IDA's lendable resources will be committed by this June 30.

The underlying principles of this international lending program are very similar to our own Federal highway program and other major Federal assistance programs to State and local jurisdictions. At home we do this on a grant basis; in IDA, funds are obtained through international contributions, and are lent to borrowers who must repay over time. In both cases, the community that benefits from the program provides matching funds—10 percent on the Federal highway program, a third to a half on the average in IDA.

Under the third replenishment proposal, 18 developed countries would make available to IDA a total of $2.4 billion over the 3-year period fiscal year 1972–74. The U.S. share of this program is just under 40 percent or $960 million over the 3 years. The first-year contribution requirement in fiscal year 1972 would be $320 million.

IDA is a prime example of international financial cooperation at work. It embodies shared objectives, shared contributions and shared risks. The national priorities of the industrial countries in the development field coincided in the negotiation of the replenishment agreement; through IDA, these countries share with the developing countries the decisions regarding the employment of these resources.

To date, U.S. inputs to IDA total $1,112 million. Our participation in the periodic replenishments of IDA has been characterized by a gradually declining share among the contributing countries. As with previous contributions, our new inputs would be made in the form of letters of credit, to be drawn on later as required for disbursements. The cash impact of our contribution will thus be substantially deferred. The impact of IDA on our balance of payments has been small and is expected to remain so at least through the middle of the 1970's. Our participation in IDA has been satisfactory from a commercial viewpoint, since the share of development goods of U.S. suppliers in IDA-financed procurement compares favorably with the share of such U.S. suppliers in the normal flow of international business, and the trend of the U.S. share has been rising.

Asian Development Bank

With respect to the Asian Development Bank (ADB), authorization hearings have been held by the Senate Foreign Relations Committee on our proposed contribution of $100 million to the consolidated Special Funds administered by the Bank. In appropriations terms, I expect a budget amendment to be submitted that will request $60 million in fiscal year 1972 and the balance of $40 million in fiscal year 1973.

Initial congressional consideration of a U.S. contribution to Asian Bank Special Funds began in 1967. Other countries, based to a large extent on assumed U.S. participation in this important concessional lending aspect of ADB operations, have gone forward with their own contributions, and have so far pledged over $180 million. Japan alone has pledged $100 million of this amount. At present, the United States has made no contributions to Special Funds. The proposed U.S. contribution would be our first and would represent only slightly more than one-third of the expanded total of Special Funds. The needs for lending on concessional terms in Asia are great, and the Asian Bank has not had adequate concessional loan resources available to allow for planning for commitments on a desirable scale.

African Development Bank

The last of the items for which fiscal year 1972 budgetary provision has been made concerns the African Development Bank (AFDB).

The United States is not a member of the African Bank, which consists exclusively of African nations. The Bank's Ordinary Capital operations have been on a very modest scale, and it is substantially without concessional loan resources despite the extreme need for them in most African countries. Accordingly, a development fund for the Bank, structured to permit necessary management guidance by donor countries is a high priority need for African development.

Such a concessionary fund, called African Development Fund, has been under active discussion during the past year in a donor group headed by Canada. To be associated with the African Bank, it would be funded by a substantial number of donor countries. It is still too early to predict a firm date this year by which agreement on the structure of the Fund would be reached. The fiscal year 1972 budget, in the category labeled "Provision for Expanded Multilateral Assistance", provides for a U.S. contribution of $5 million a year for 3 years, representing not more than 25 percent of the Fund.

Mr. Chairman, I now intend to discuss the resource and cash needs of these institutions, especially as they apply to the IDB. I will also discuss why the IBRD's liquidity policies differ from those of the IDB, a question you raised in your memorandum of April 21, and to which I responded in a recent letter to you. These questions refer entirely to Ordinary Capital lending rather than concessional lending operations financed by budgetary contributions.

I will use several terms in discussing these issues. The first is "commitments." A commitment is a legal obligation of the lending institution to a borrower to make funds available during a specified future period. Commitments cannot be undertaken by a lending institution in excess of its total lendable resources.

The second term is "disbursements." A disbursement is a payment by a lending institution against a previous commitment. There is a time lag between commitments and related disbursements that may vary from months to years.

The third term is "liquidity." A lending institution needs resources, but not necessarily cash, to make commitments. To make disbursements, however, a lending institution requires cash. The liquidity problem is how to ensure, at least cost, that cash for disbursements will be on hand when required to make good on prior commitments.

Totally different management considerations are involved in dealing with the rate of commitments on the one hand and the rate of disbursements on the other. Having more or less cash available for disbursements; i.e., being more or less liquid, does not affect an institution's ability to make new loan commitments. The IDB's policy of high liquidity should not obscure the fact that it has made full use of its available resources for loan commitments. It is precisely because of this fact that its resources now require replenishment so urgently.

With this introduction, I would like now to emphasize that our appropriations requests are related to the resource needs of the several banks, not to their cash requirements. These resources take two basic forms: First, paid-in capital subscribed by all members and second, private market borrowings—backed by the callable or guarantee capital put up by the members. The extent to which each bank needs to have cash on hand prior to making loan commitments varies from bank to bank, depending primarily on the certainty on which they can count on being able to borrow funds in the private capital market at any given time.

I should like to illustrate these points in respect to the IDB—where the degree of uncertainty surrounding market borrowing is different from that of the World Bank.

The IDB's basic Ordinary Capital resources consists of its paid-in capital plus the U.S. share of its subscribed callable capital. The IDB's market borrowing capabilities are in fact limited to the amount of the U.S. callable. In other words, the Bank cannot borrow in the market amounts greater than the guaranteed capital of one member, the United States. In turn, their U.S. guarantee capital minus actual borrowings represents the cushion of additional funding they can call on—market conditions permitting—in order to meet cash needs.

The IDB started this calendar year with available unused dollar resources of roughly $150 million, of which about $100 million took the form of unused U.S. callable guarantee capital. The resources plus repayments on past loans would be sufficient to cover slightly more than two-thirds of the Bank's projected 1971 Ordinary Capital lending level of about $275 million. Our supplemental appropriations request was intended to provide the Bank with the resources against which the last third of this calendar year's projected commitments can be made, and to ensure that the 1972 lending program can be carried out.

The IDB's liquidity needs are a quite separate question. Up to the present time the Bank has followed a policy of making loan commitments only against funds in hand. This means that bond issues have been timed so as to permit the maintenance of a level of liquid assets equal to the sum of total undisbursed obligations on authorized loans and anticipated commitments for 3 to 6 months ahead.

The Bank has taken this position because it wanted to avoid the risk that it might not be able to borrow at a given time, and consequently it might be without the funds needed to meet disbursement obligations as they arose. The Bank has been and may again be confronted with a situation where most markets in Europe and Japan—which are not members of the Bank—were substantially closed to it and conditions in the U.S. market were extremely tight. Moreover, the cost of borrowing might be very high, especially relative to loans made several years in the past and still not fully disbursed. Thus the Bank has been afraid that a situation might arise where it might be forced into the market at a very disadvantageous rate or not be able to borrow at a given time due to market conditions with consequent losses eroding its still relatively small reserve position. It should be noted that Bank entry into any market requires government authorization.

The IBRD similarly followed a practice of roughly 100 percent coverage of undisbursed commitments for the first 18 years of its existence. During this period, its liquidity fell below 90 percent of undisbursed commitments in only 2 years. More recently, however, its ratio of liquid assets to undisbursed commitments has gradually declined and is expected to drop to 52 percent by the end of this fiscal year; i.e., it anticipates that it will then have $2.4 billion in liquid assets against $4.7 billion in undisbursed loans.

The IBRD initially established a policy of 100 percent coverage because it was deemed "advisable in the 1st years to keep relatively larger liquid holding than * * * (would be necessary) * * * later when the Bank's standing in the market * * * (was) established."

The IBRD later moved to a policy of partial coverage whereby it determined cash holdings "in the light of market conditions and the Bank's needs."

Finally, very recently the Bank established more precise guidelines for determining its liquidity needs. These guidelines relate the need for liquidity to future borrowing plans and probabilities based on the judgment that the limiting contingency in the Bank's operations is its ability to borrow in capital markets. The Bank can project its future disbursement requirement and its expected cash receipts other than borrowing with a reasonable degree of certainty but not its access to capital markets. The Bank, accordingly, intends to maintain cash balances sufficient to protect itself against a situation where either the U.S. market or all other markets (each normally representing about 50 percent of its borrowing) would be closed to it. This means that cash balances should at least be equal to 50 percent of anticipated borrowing during a period sufficient to allow the Bank to take remedial action, such as a reduction in commitments. The Bank has decided that 3 years would be an appropriate period for this purpose on which to adopt this policy.

Under this new policy, the Bank's liquid assets will be allowed to gradually decline to a level of roughly $2 billion. At that level, they will be roughly equal to 30 percent of undisbursed commitments. This does not mean they will not continue to need new resources or guarantee capital—once their unused ceiling is used up. They do, however, have a large unused guarantee ceiling—which is precisely why we relate the fiscal year 72 appropriations for them not to resource need but to our international responsibility to the Fund and Bank members to keep our part of the bargain on the policy which has governed special increases for over 25 years.

As can be seen from the above, the basic reason for the differing liquidity policies of the two Banks is that the IDB is a relatively young institution with relatively small earnings and market experience, while the IBRD is a mature institution with high earnings and access to the capital markets of many countries. IBRD's net income in 1970 was $213 million while the IDB's Ordinary Capital net income was exceptionally high at $33 million. Two other factors that are relevant to IDB's access to capital markets are: (1) The IBRD's debt equity ratio of 1.3 to 1, while the IDB's is 2.2 to 1; (2) IDB has to rely heavily on access to capital markets of countries that are not IDB members, thus making its access somewhat less assured than that of the IBRD.

Under the circumstances, the IDB's policy is one based on prudence.

Nevertheless, the United States began discussions with the management of the Bank some time ago to recommend that they consider a policy of partial liquidity coverage of undisbursed commitments. We were prompted to do this by a belief that the market place had been educated by the experience of the World Bank. After my testimony before this committee in April we reinforced our efforts by proposing that the IDB review its liquidity policy and present recommendations to its Board for action. I can now report that the President of the Bank has directed that a comprehensive study of this question be undertaken. I repeat, however, that the possibility of borrowing cash in hand should not be equated with no need for new appropriations of resources. They do need these to continue to make new loans.

Interest rate spreads

I would also like to comment on the question of intermediate credit institutions, and in particular the interest rates they charge on subloans from funds they borrow from international institutions. There can be no question as to the important development role played by the various public and private local development banks. They represent a highly effective way for the international institutions to reach the small businessman or small farmer. The alternative would be to confine the World Bank and the regional banks to the financing of large projects, mainly in the public sector. In many cases, the intermediate credit institutions represent the only available source of longer term funds in the economy.

In the extensive academic and practical literature on the subject of relending in developing countries it is universally agreed that it is not the absolute numerical value of the interest rate charged that is important, but rather what the interest rate means in terms of the conditions of the particular economy. An interest rate of 12 percent in an economy with an annual inflation rate of 15 percent is a negative rate that will tend to decapitalize the lending institution. Unless the institution is otherwise compensated, such a rate is too low rather than too high. An interest rate of 6 percent in an economy with normal rates of 15 percent will not perform the function of allocating economic resources and may encourage inefficient industries or diversion of funds. And an interest rate that is insufficient to cover administrative costs and generate earnings to plow back into the lending process will negate the financial institution-building that is one of the major objectives of lending through local institutions.

In brief, then, interest rate spreads are essential: To limit the risks of inflation or devaluation; to avoid distorting the direction of development; to allow lenders to cover costs of lending or providing an incentive to move into a neglected development area; and to generate resources to strengthen the lender's ability to expand his development financing activity. These are all factors that the international institutions—and we, ourselves, in our review of loan proposals—take into account in judging the appropriateness of interest rate spreads in particular cases.

Interest rate spreads do not give rise to budgetary revenues for borrowing governments. Typically, public and mixed development banks, and sometimes even private ones, are the recipients of government funds for relending, either in the form of low interest or interest-free loans ("quasi-equity") or equity contributions. They, therefore, draw on government budgets rather than contribute to them. To the extent spreads generate resources in excess of a development bank's administrative costs, those resources augment the lending or technical assistance capabilities of the lending institution.

IDB annual meeting costs

A comment also seems in order regarding recent observations concerning the annual meetings of the Inter-American Bank. As members of Congress who have participated in these meetings over the years as advisers on the U.S. delegation can attest, the Board of Governors meeting is a major international conference that brings together most of the senior financial officials of the hemisphere. It is a meeting of governments participating in the Bank, as much as a meeting of the Bank itself, and is essential to the proper conduct of the Bank's affairs and the realization of the Bank's goals. In addition to plenary sessions, numerous working groups are the focus for intensive negotiations on agenda items. Moreover, extensive bilateral discussions take place with Bank officials and with other delegations on matters of financial concern.

The 23 Governors of the Bank are accompanied by advisers to assist in dealing with the business of the meeting. Official delegates to the Lima meeting numbered approximately 150. The Bank staff serves as the Secretariat for the meetings, all sessions of which are conducted in four languages, all documentation for which is provided in four languages and most services of which must be available round-the-clock. It is simply not possible to carry out the logistics of an official, multinational meeting, at a location remote from headquarters without transporting substantial numbers of personnel and incurring costs. The costs of the meeting must be viewed in the light of these tasks that are required to be performed.

As clear evidence that the Bank was already attentive to the need for keeping annual meeting costs to a minimum, various streamlining procedures have already been discussed within the Bank that would permit the business of future annual meetings to be carried out in 3 days instead of 5. I am hopeful this will apply as early as next year's meeting in Quito. While there should be savings realized as a result, those cost items related to transportation of persons and materials will, of course, continue to be incurred.

Mr. Chairman, this completes my formal presentation today. My colleagues and I are prepared to respond to questions. I would only like to say in conclusion that the international understandings pursuant to which we are now asking for U.S. funds are mutual in nature. Our contribution is consideration for contributions by others; their contributions are consideration for the United States providing its share. If international negotiation of such arrangements are to continue to be a practicable means of mobilizing development assistance funds, we must make good on our part of the undertakings. It would be unrealistic to think that the contributions of others would not be affected by our failure to do so, or that our future capability to negotiate further improvements in burden-sharing would not be damaged.

Exhibit 63.—Press release, January 7, 1971, announcing the basic restraints on capital outflows to be maintained in 1971

The Treasury and Commerce Departments and the Federal Reserve System today announced their intention to continue the three existing programs to restrain capital outflows from the United States in 1971.

In implementing this decision, the Treasury will request the Congress when it reconvenes to extend authority for the Interest Equalization Tax.

Certain changes in the Foreign Direct Investment Program, administered by the Commerce Department, and in the Voluntary Foreign Credit Restraint Program, administered by the Federal Reserve, are designed to facilitate administration and compliance, consistent with the need to continue restraint for the period ahead. Those changes are reviewed in detail in separate releases by those Agencies.

These interrelated decisions have been taken after thorough review of the entire U.S. capital restraint program in light of the serious continuing balance of payments problem faced by this country. While trade and the total of current transactions showed improvement in 1970, this welcome trend has not reached the point that permits substantial relaxation of the restraints on capital flows at this time, consistent with satisfactory progress towards a sustainable basic equilibrium in our external payments.

The Interest Equalization Tax, which under present law would expire March 31, 1971, applies to acquisitions by U.S. residents or citizens of foreign stocks and debt obligations from foreigners. Under present law, discretionary authority granted by the Congress to the President permits him to vary the effective annual rate of the tax from zero to 1½ percent, as the balance of payments position and relative interest rates warrant. The President may also provide lower tax rates for acquisitions of new issues than for acquisitions of outstanding issues. The present effective rate of ¾ percent per annum for both new and outstanding issues was established by Executive Order on April 3, 1969.

Since its inception in mid-1963, the tax has contributed significantly towards supporting our balance of payments position. It also plays an important role in reinforcing the other two capital restraint programs: the Foreign Direct Investment Program, which applies to direct investment outflows by U.S. companies, and the Voluntary Foreign Credit Restraint Program, which applies to loans to foreigners by U.S. financial institutions. The effectiveness of each of these programs is enhanced by the existence of the Interest Equalization Tax.

Exhibit 64.—Press release, April 1, 1971, announcing Treasury's first Eurodollar borrowing

The Treasury announced today that it is offering up to $1.5 billion or thereabouts of 3-month certificates of indebtedness to overseas branches of American banks. The funds obtained from this special sale will be employed as part of the normal Treasury operations.

The certificates of indebtedness are designed to provide an investment outlet in the United States for Eurodollars acquired by the overseas branches. For several years, U.S. banks have employed in this country substantial amounts of Eurodollars held by their European branches. However, with credit now relatively tighter abroad than in the United States, use of these Eurodollars by the parent banks has been reduced considerably and the funds have, instead, flowed into foreign markets. By providing a continued investment for a portion of these Eurodollars in the United States, this offering of certificates of indebtedness will divert a potential flow of dollars from European markets and avoid contributing further to the reserves of foreign central banks.

The certificates of indebtedness, which are being offered only to foreign branches of U.S. banks, will mature July 9, 1971. Interest will be paid at maturity at a rate of 5⅜ percent, the prevailing quotation in London for Eurodollar deposits of the same maturity.

Subscriptions will be received at the Treasury from foreign branches until Tuesday, April 6. Payment will be due on Friday, April 9, and can be made by credit to Treasury Tax and Loan Accounts.

Subscriptions of the branches are invited up to the amount of the daily average reserve-free base of the parent bank in the 4 weeks ending March 17, 1971, and will be allotted on a percentage basis.

Holdings of the certificates of indebtedness by overseas branches may be counted as part of the reserve-free base of Eurodollar deposits established by the Federal Reserve Board. The certificates will be in registered form and transferable only with the permission of the U.S. Treasury.

Exhibit 65.—Press release, May 7, 1971, announcing removal of all controls on use of dollars in transactions with People's Republic of China

Secretary of the Treasury John B. Connally today announced the issuance of a general license removing all controls on the use of dollars or dollar instruments in transactions with the People's Republic of China and its nationals.

The new general license, effective May 7, 1971, replaces the previous specific licensing procedure which has been in effect since December 1950. Dollars and dollar instruments may now be used in all transactions with mainland China initiated on or after May 7, 1971.

The Treasury's Foreign Assets Control Regulations were also amended to remove the prohibition against American-controlled foreign flag vessels calling at mainland China ports. In addition, American oil companies abroad are now authorized to sell fuel to "bunker" vessels owned or controlled by the People's Republic of China, except vessels going to or from North Korea, North Vietnam, or Cuba.

This is the Treasury's first step in implementing the President's decision of April 14, 1971, to relax financial and commercial controls with respect to mainland China. Treasury is now consulting with the Departments of State and Commerce, and other interested agencies, on relaxing controls on imports of goods from China. When these changes in controls on imports are completed, this will fulfill Treasury's role in implementing the President's decision.

Today's amendments do not pertain to those accounts in the United States which have been blocked under the Treasury's Foreign Asset Control Regulations. These accounts, estimated to total 70 to 75 million dollars, will remain blocked.

With these exceptions, the Treasury's Foreign Assets Control Regulations now permit normal financial transactions between the United States and the People's Republic of China and its nationals. United States banks may now act as financial intermediaries in these transactions, including remittances for family support, humanitarian, and other purposes.

Title 31—MONEY AND FINANCE: TREASURY

Subtitle B—Regulations Relating to Money and Finance

Chapter V—Office of Foreign Assets Control, Department of the Treasury

PART 500—FOREIGN ASSETS CONTROL REGULATIONS

Relaxation of Controls on Current Transactions with the PRC

The Foreign Assets Control Regulations are being amended by the addition of section 500.546. This section removes controls on the use of dollars in transactions with the People's Republic of China and its nationals entered into on or after May 7, 1971; and on the bunkering by American oil companies abroad of Chinese vessels except those bound to or from North Korea, North Viet Nam or Cuba. No change is made in the status of Chinese assets blocked before May 7, 1971.

Section 500.541 is being amended correspondingly to remove with respect to American-controlled firms abroad restrictions on (1) dollar dealings involving the People's Republic of China; and (2) the supply of petroleum products to Chinese vessels except those bound to or from North Korea, North Viet Nam or Cuba.

Sections 500.538 and 500.541 are being amended to permit U.S.-owned or controlled foreign flag vessels to transport merchandise directly to or from mainland China.

Section 500.538 of the Foreign Assets Control Regulations is amended to read as follows:

"Section 500.538 *Transportation and Insurance of Certain Merchandise*

(a) Except as provided in paragraphs (c) and (d) of this section, to the extent that transportation or insurance of merchandise is prohibited by sections 500.201 or 500.204, such transportation by carriers or insurance is authorized.

(b) [deleted]

(c) This section does not authorize the transportation or insurance of any merchandise directly or indirectly to or from North Korea or North Viet Nam, nor does it authorize the transportation or insurance of any merchandise of North Korean or North Viet Namese origin.

(d) This section does not authorize the transportation directly or indirectly to mainland China or insurance of:

(1) Any merchandise of U.S. origin except as authorized by section 500.533;

(2) Any merchandise regardless of origin of a type included in the Commodity Control List of the Department of Commerce (15 CFR Part 399) and followed on that list by the letter 'A' in the column headed 'Special Provisions List' or of a type the unauthorized exportation of which from the United States is prohibited by any of the several regulations referred to in 15 CFR 370.10."

Section 500.541 of the Foreign Assets Control Regulations is amended to read as follows:

"Section 500.541 *Certain Transactions by Persons in Foreign Countries.*

(a) Except as provided in paragraphs (b), (c), (e) and (f) of this section, all transactions incident to the conduct of business activities abroad engaged in by any individual ordinarily resident in a foreign country in the authorized trade territory, or by any partnership, association, corporation or other organization which is organized and doing business under the laws of any foreign country in the authorized trade territory, are hereby authorized.

(b) This section does not authorize any transaction involving property subject to the jurisdiction of the United States as of May 6, 1971, in which there existed or had existed at any time on or since the effective date, any direct or indirect interest of China or nationals thereof.

(c) This section does not authorize any transaction involving the purchase or sale or other transfer of:

(1) Any merchandise of U.S. origin, except as authorized by section 500.533;

(2) Any merchandise regardless of origin of a type included in the Commodity Control List of the U.S. Department of Commerce set forth in 15 CFR Part 399 and followed on that list by the letter 'A' in the column headed 'Special Provisions List' or of a type the unauthorized exportation of which from the United States is prohibited by any of the several regulations referred to in 15 CFR 370.10; or

(3) Any technical data, as that term is defined in section 500.543, except to the extent authorized by that section.

(d) [deleted]

(e) This section does not authorize the supply of petroleum products to any vessel bound to or from North Korea, North Viet Nam or Cuba.

(f) This section does not authorize any transaction involving North Korea or North Viet Nam or their nationals, or merchandise the country of origin of which is North Korea or North Viet Nam."

Section 500.546 is hereby added to the Foreign Assets Control Regulations to read as follows:

"Section 500.546 *Current Transactions with China and its Nationals Authorized.*

(a) Except as provided in paragraph (b) of this section, all transactions with China or its nationals are hereby licensed.

(b) This section does not authorize:

(1) Any transaction prohibited by section 500.201 involving property subject to the jurisdiction of the United States as of May 6, 1971 in which China or any national thereof, at any time on or since December 17, 1950 had any interest whatsoever nor any transaction involving any income from such property accruing on or after May 6, 1971.

(2) Any transaction prohibited by section 500.201 and excepted from section 500.541 by subparagraphs (c) and (e) thereof.

(3) Any transaction prohibited by section 500.204.

(4) Any transaction involving an interest of North Korea or North Viet Nam or nationals thereof.

(c) The effective date of this section is May 7, 1971."

MARGARET W. SCHWARTZ,
Director, Office of Foreign Assets Control.

[Filed May 7, 1971; Published May 8, 1971]

Exhibit 66.—Press release, May 24, 1971, announcing a Treasury borrowing of Eurodollars

The Treasury announced today that it is offering up to $500 million, or thereabouts, of 3-month certificates of indebtedness to overseas branches of American banks. The Export-Import Bank will not replace the $500 million promissory notes it issued March 3, 1971, which mature June 1, 1971.

The certificates of indebtedness, which are being offered only to foreign branches of U.S. banks, will mature September 1, 1971. Interest will be paid at maturity at a rate of 6¾ percent.

Subscriptions will be received at the Treasury from foreign branches until Wednesday, May 26. Payment will be due on Tuesday, June 1. Payment may not be made by credit to Treasury Tax and Loan Accounts.

Subscriptions of the branches are invited up to any amount not to exceed the daily average outstanding Eurodollar borrowings of the subscriber's office from its branches including the daily average of Export-Import notes and Eurodollar series of Treasury certificates of indebtedness held by such branches in the 4 weeks ending May 12, 1971. The certificates will be allotted to each subscriber, first, the amount of the subscription or the principal amount of Export-Import Bank Series BB promissory notes held by the subscriber, whichever is less; and, second, an amount calculated by allocating any remainder not previously allotted on a pro rata basis according to the relation each subscription bears to the total amount subscribed, rounded to the nearest $1,000.

Holdings of the certificate of indebtedness by overseas branches may be counted as part of the reserve-free base of Eurodollar deposits established by the Federal Reserve Board. The certificates will be in registered form and transferable only with the permission of the U.S. Treasury.

Exhibit 67.—Press release, June 28, 1971, announcing special securities arrangement between the U.S. Treasury and the German Bundesbank

The Treasury today announced an arrangement with the German Bundesbank for the purchase by the Bundesbank of up to $5 billion of special Treasury securities. This operation will be completed within the next few weeks.

The arrangement reflects the willingness of the United States, recently expressed by Secretary John B. Connally, to assist with appropriate dollar investment outlets for foreign central banks which have received large amounts of dollars.

The securities are medium-term, nonmarketable U.S. Treasury notes with maturities of 1 to 5 years. Interest rates on these obligations will be in line with rates on outstanding Treasury securities of comparable maturities in the domestic market at the time of issuance.

In accordance with the terms of the notes, should the Bundesbank require early redemption, proper advance notice is necessary and the interest rates would be adjusted downward to reflect the shorter life of the obligation.

Of the total of up to $5 billion, $3 billion has already been accomplished. This amount was partially financed by the Bundesbank through the retirement of approximately $2 billion of short-term special Treasury securities acquired earlier in the year. To the extent outstanding special securities now held by the Bundesbank are not retired, the Treasury's market borrowing requirements later this summer will be reduced.

Exhibit 68.—Other Treasury testimony published in hearings before congressional committees, July 1, 1970–June 30, 1971

Secretary Connally

Statement published in hearings before the Committee on Foreign Relations, U.S. Senate, 91st Congress, 1st session, on proposed replenishment of the Inter-American Development Bank, July 9, 1970, pp. 2–10. See also 1970 Annual Report of the Secretary, pp. 430–434.

Under Secretary Walker

Statement published in hearings before the Committee on Foreign Relations, U.S. Senate, 92d Congress, 1st session, on behalf of legislation seeking authorization of a $100 million contribution by the United States to the Special Fund resources of the Asian Development Bank, April 2, 1971.

Assistant Secretary for International Affairs Petty

Statement published in hearings before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs, House of Representatives, 92d Congress, 1st session, on aspects of U.S. participation in the Inter-American Development Bank, February 18, 1971.

Statement published in hearings before the Subcommittee on International Finance of the Committe on Banking, Housing and Urban Affairs, U.S. Senate, 92d Congress, 1st session, on behalf of legislation to amend the Export-Import Bank Act of 1945, March 11, 1971, pp. 139–142.

Deputy Assistant Secretary for Development Finance Hennessy

Statement published in hearings before the Subcommittee on Foreign Operations and Government Information of the Committee on Government Operations, House of Representatives, 91st Congress, 2d session, on collection procedures for delinquent foreign obligations, September 22, 1970, pp. 10–15.

Organization and Procedure

Exhibit 69.—Treasury Department orders relating to organization and procedure

No. 107, Revision No. 13, April 13, 1971.—Authority to Affix Seal of the Treasury Department

By virtue of the authority vested in the Secretary of the Treasury, including the authority conferred by 5 U.S.C. 301, and by virtue of the authority delegated to me by Treasury Department Order No. 190 (Revised), it is hereby ordered that:

1. Except as provided in paragraph 2, the following officers are authorized to affix the Seal of the Treasury Department in the authentication of originals and copies of books, records, papers, writings, and documents of the Department, for all purposes, including the purposes authorized by 28 U.S.C. 1733(b):

(a) In the Office of Administrative Services:
- (1) Director of Administrative Services.
- (2) Chief, General Services Division.
- (3) Chief, Printing and Procurement Division.
- (4) Chief, Directives Control and Distribution Branch.

(b) In the Internal Revenue Service:
- (1) Commissioner of Internal Revenue Service.
- (2) Assistant Commissioner (Compliance) and Deputy Assistant Commissioner (Compliance).
- (3) Chief, and Assistant Chief, Disclosure and Liaison Branch, Collection Division.
- (4) Director and Technical Advisor, Alcohol, Tobacco and Firearms Division.
- (5) Assistant Director (Criminal Enforcement), and Technical Advisors, Alcohol, Tobacco and Firearms Division.
- (6) Chief, Firearms and Explosives Branch, Alcohol, Tobacco and Firearms Division.
- (7) Chief, Technical Services Section, Firearms and Explosives Branch, Alcohol, Tobacco and Firearms Division.

(c) In the Bureau of Customs:
- (1) Commissioner of Customs.
- (2) Deputy Commissioner of Customs.
- (3) Assistant Commissioner of Customs (Administration).
- (4) Assistant Commissioner of Customs (Investigations).
- (5) Assistant Commissioner of Customs (Operations).
- (6) Assistant Commissioner of Customs (Regulations and Rulings).

(d) In the Bureau of the Public Debt:
- (1) Commissioner of the Public Debt.
- (2) Deputy Commissioner in Charge of the Chicago Office.
- (3) Assistant Deputy Commissioner in Charge of the Chicago Office.

2. Copies of documents which are to be published in the Federal Register may be certified only by the officers named in paragraph 1(a) of this Order.

3. The Director of Administrative Services, the Commissioner of Internal Revenue Service, and the Commissioner of the Public Debt are authorized to procure and maintain custody of the dies of the Treasury Seal.

The officers authorized in paragraph 1(c) may make use of such dies.

ERNEST C. BETTS, Jr.,
Assistant Secretary for Administration.

No. 150–45, REVISION No. 2, OCTOBER 15, 1970

Treasury Department Order No. 150–45 (Revision No. 1) is hereby amended to read as follows:

The Commissioner of Internal Revenue is hereby authorized to prescribe all needful rules and regulations for the enforcement of Chapters 40 and 44, Title 18, United States Code, and Title VII of the Omnibus Crime Control and Safe Streets Act of 1968 (Title 18, U.S.C., Appendix), as amended, subject to approval by the Secretary or his delegate, and to administer and enforce Chapter 40, Title 18, United States Code.

DAVID M. KENNEDY,
Secretary of the Treasury.

No. 150–71, JANUARY 8, 1971.—DELEGATION OF AUTHORITY TO PERFORM FUNCTIONS UNDER THE ECONOMIC OPPORTUNITY ACT

The purpose of this order is to formalize the authority of the Commissioner of Internal Revenue with respect to the administration of the Economic Opportunity Act.

The authority conferred upon the Secretary of the Treasury in the Economic Opportunity Act Amendments (Public Law 91–177), approved December 30, 1969 (and any extension or amendment thereof) relating to the Economic Opportunity Act, is hereby delegated to the Commissioner of Internal Revenue, with the right to redelegate such authority to any officer or employee of the Internal Revenue Service.

To the extent that any action heretofore taken by the Commissioner of Internal Revenue or his delegate consistent with the delegation set forth in the preceding paragraph may require ratification, such action is hereby affirmed and ratified.

DAVID M. KENNEDY,
Secretary of the Treasury.

No. 150–73, JUNE 22, 1971.—DESIGNATION OF ASSISTANT COMMISSIONER (TECHNICAL) TO SERVE AS ACTING COMMISSIONER OF INTERNAL REVENUE

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, Assistant Commissioner (Technical) Harold T. Swartz is designated, effective 12:01 a.m. June 23, 1971, to serve as Acting Commissioner of Internal Revenue, with authority to perform all functions, without limitation, now authorized to be performed by the Commissioner of Internal Revenue. Mr. Swartz will continue to serve in this capacity until a new Commissioner of Internal Revenue has been appointed and assumes the duties of the office.

JOHN B. CONNALLY,
Secretary of the Treasury.

No. 150–74, JUNE 30, 1971.—CHANGE IN OFFICE DESIGNATION AND TRANSFER OF FUNCTIONS WITHIN THE INTERNAL REVENUE SERVICE

By virtue of the authority vested in me by Reorganization Plan No. 26 of 1950:

(1) The Office of Assistant Commissioner (Data Processing) is hereby redesignated as the Office of Assistant Commissioner (Accounts, Collection, and Taxpayer Service); and

(2) Approval is given to the transfer from the Office of Assistant Commissioner (Compliance) to the Office of Assistant Commissioner (Accounts, Collection, and Taxpayer Service) of the Collection Division, including such personnel, records, equipment, and funds as are determined by the Commissioner of Internal Revenue and the Assistant Secretary for Administration to be appropriate in connection therewith.

This order shall become effective upon such date as the Commissioner of Internal Revenue may determine.

JOHN B. CONNALLY,
Secretary of the Treasury.

NO. 165-17, AMENDMENT 5, JANUARY 14, 1971.—REORGANIZATION OF THE CUSTOMS FIELD SERVICE

In a notice published in the Federal Register on December 8, 1970 (35 F.R. 18599), the Department of the Treasury gave notice of a proposal to create in the Customs district of New York City, New York, three administrative areas, each under the jurisdiction of an area director of customs.

Written representations on behalf of interested parties were received and have been carefully considered. The Department is satisfied that the proposed plan can be implemented without adversely affecting vessel operators, shippers, importers or other parties who conduct business with Customs in the district of New York City, New York.

Accordingly, pursuant to Reorganization Plan No. 1 of 1965 (30 F.R. 7035), Reorganization Plan No. 26 of 1950 (36 CFR, Ch. III), section 1 of the Act of August 1, 1914, as amended, 38 Stat. 623 (19 U.S.C. 2), and Executive Order No. 10289, September 17, 1951 (3 CFR, Ch. II), Treasury Department Order No. 165-17 (T.D. 56464, 30 F.R. 10913) is hereby amended by creating in the Customs district of New York City, New York, which is coextensive with Customs Region II, New York City, New York, three administrative areas to be designated as Kennedy Airport Area, Newark Area, and New York Seaport Area, each under the jurisdiction of an area director of customs.

The limits of the Kennedy Airport Area are as follows:

Beginning at a point in the Atlantic Ocean at the foot of Beach 95th Street, Rockaway Beach, and proceeding in a northerly direction along the center line of Cross Bay Boulevard and its continuation, Woodhaven Boulevard, to Atlantic Avenue; thence in an easterly direction along the center line of Atlantic Avenue to Van Wyck Expressway; thence in a northerly direction along the center line of Van Wyck Expressway to Hillside Avenue (Route 24); thence in an easterly direction along the center line of Hillside Avenue to 212th Street; thence in a southeasterly direction along the center line of Route 24 (212th Street, Jamaica Avenue, and Hempstead Avenue) to the New York City limits, the boundary line between Queens and Nassau Counties; thence along this boundary line to the Atlantic Ocean, and thence along the shore line to the point of beginning. In addition, La Guardia Airport and U.S. Naval Air Station New York (Floyd Bennett Field) are designated as parts of the Kennedy Airport Area.

The Newark Area shall consist of the counties of Sussex, Passaic, Hudson, Bergen, Essex, Union, Middlesex, and Monmouth in the State of New Jersey, and the county of Richmond in the State of New York.

The New York Seaport Area shall include all that part of the State of New York not expressly included in the Kennedy Airport Area and the Newark Area in the district of New York City and in the districts of Buffalo and Ogdensburg.

This amendment shall become effective on April 1, 1971.

EUGENE T. ROSSIDES,
Assistant Secretary of the Treasury.

NO. 173-3, AMENDMENT 2, AUGUST 27, 1970.—REALIGNMENT OF HEADQUARTERS FUNCTIONS AND RESPONSIBILITIES IN THE UNITED STATES SECRET SERVICE

Pursuant to the authority vested in the Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, and pursuant to the authority vested in me by Treasury Department Order No. 190 (Revision No.

4), the first paragraph of Treasury Department Order No. 173-3 is amended to read as follows:

"By virtue of the authority vested in me as Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, the following offices are hereby established in the Headquarters of the United States Secret Service:

Director
Deputy Director
Assistant Director (Protective Intelligence)
Assistant Director (Investigations)
Assistant Director (Protective Forces)
Assistant Director (Administration)
Assistant Director (Inspection & Audit)
Counsel
Assistant to the Director (Public Affairs)

EUGENE T. ROSSIDES,
Assistant Secretary for Enforcement and Operations.

No. 173-4, JANUARY 5, 1971.—DELEGATION OF AUTHORITY TO THE DIRECTOR, U.S. SECRET SERVICE

Pursuant to the authority vested in the Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, and pursuant to the authority vested in me by Treasury Department Order No. 190 (Revision 7 dated September 4, 1969; 34 F.R. 15846), there is delegated to the Director, United States Secret Service, the authority to perform the functions of the Secretary of the Treasury with respect to the Executive Protective Service under the laws of the District of Columbia relating to the Metropolitan Police force. These laws include, but are not limited to, the Act of October 24, 1951, as amended (4 D.C. Code 807), relating to compensation for working on holidays, the Act of August 1, 1958, as amended (4 D.C. Code 828), relating to positions to be included as technicians, and section 201(a) of the Act of June 30, 1970 (84 Stat. 354), relating to the uniform of officers.

EUGENE T. ROSSIDES,
Assistant Secretary of the Treasury.

No 177-25, REVISION 1. SEPTEMBER 25, 1970.—DELEGATION OF AUTHORITY TO APPOINT UNIFORMED GUARDS AS SPECIAL POLICEMEN

Pursuant to the authority vested in the Secretary of the Treasury, including that vested in him by delegation from the Administrator of General Services, FPMR Temporary Regulation D-22, (September 4, 1970) 35 F.R. 14426, and pursuant to the authority vested in me by Treasury Department Order No. 190 (Revision 7) (September 4, 1969) 34 F.R. 15846:

(1) authority is hereby delegated to the Director of the United States Secret Service to appoint uniformed guards as special policemen and to make all needful rules and regulations for the protection of the Treasury Building and Treasury Annex, Washington, D.C.;

(2) authority is hereby delegated to the Director of the Bureau of Engraving and Printing to appoint uniformed guards as special policemen and to make all needful rules and regulations for the protection of the Bureau of Engraving and Printing and Bureau of Engraving and Printing Annex, Washington, D.C.

(3) authority is hereby delegated to the Director of the Bureau of the Mint to appoint uniformed guards as special policemen and to make all needful rules and regulations for the protection of the United States Mint, Denver, Colorado; the United States Bullion Depository, Fort Knox, Kentucky; the United States Assay Office, 32 Old Slip, New York, New York; the United States Mint, 16th and Spring Garden Streets, Philadelphia, Pennsylvania; the new United States Mint, Fifth and Arch Streets, Philadelphia, Pennsylvania; the United States Assay Office, 155 Hermann Street, San Francisco, California; and the United States Bullion Depository, West Point, New York.

The authority conferred by this order shall be exercised in accordance with the Act of June 1, 1948, as amended (62 Stat. 281; 40 U.S.C. 318-318c).

This order revises Treasury Department Order No. 177-25 (November 28, 1967) and is effective from September 4, 1970.

EUGENE T. ROSSIDES,
Assistant Secretary of the Treasury.

No. 194. REVISION 2, JUNE 24, 1971.—REORGANIZATION OF THE OFFICE OF ADMINISTRATIVE SERVICES—ESTABLISHMENT OF OFFICE OF CENTRAL SERVICES

Pursuant to the authority vested in the Secretary of the Treasury by Reorganization Plan No. 26 of 1950 and the authority delegated to me by Treasury Order No. 190 (Revision 7), the following organizational changes shall take effect as of July 1, 1971:

The Office of Administrative Services is reorganized and redesignated as the Office of Administrative Programs. It shall be responsible for planning, developing and providing overall management, functional direction, coordination and evaluation for departmentwide general administrative services programs including real property, personal property, environmental quality, printing, communications, paperwork, and other functions and responsibilities as assigned. The director heading this office will report directly to the Assistant Secretary for Administration.

The Office of Central Services is hereby established to consolidate and provide all day to day operating services heretofore furnished by the Office of Administrative Services and the Office of Personnel to the Office of the Secretary, elements of the bureaus and offices located in the Main Treasury and Treasury Annex Building, or other locations as assigned. The services provided shall include, without being limited to, personnel operations, fiscal services, procurement, printing and duplicating, library, communications, office supplies and other personal property, and building management. The Office shall be headed by a Director who will report directly to the Assistant Secretary for Administration.

Such funds, personnel, records, furniture and equipment as are mutually determined by the Assistant Secretary for Administration, the Director, Office of Administrative Programs, the Director, Office of Central Services, and the Director, Office of Personnel, to be necessary in the performance of these programs and services shall be transferred or reassigned as appropriate.

Treasury Department Order No. 194 (Revised), dated May 31, 1967, is superseded.

ERNEST C. BETTS, Jr.
Assistant Secretary for Administration.

No. 200, AMENDMENT 1, JUNE 24, 1971.—ESTABLISHMENT OF THE OFFICE OF AUDIT

By virtue of the authority vested in the Secretary of the Treasury by Reorganization Plan No. 26 of 1950, and pursuant to the authority delegated to me by Treasury Department Order No. 190 (Revision 7) there is hereby established, effective July 1, 1971, the Office of Audit.

The principal functions of the Office of Audit will be to: formulate Treasury internal audit policies and standards; review and appraise the systems of internal auditing in the various bureaus; provide advice and assistance to the bureaus on internal auditing; review and coordinate proposed Treasury responses to General Accounting Office reports on audits of the Department's activities; and maintain liaison with the General Accounting Office on auditing matters. The Office will also be responsible for performing internal audits of Office of the Secretary activities.

The Office of Audit will be in the Office of the Secretary, under the immediate supervision of the Assistant Secretary for Administration. It will replace and supersede the Internal Audit Division, Office of Management and Organization. The personnel, records and property of the Internal Audit Division will be transferred to the Office of Audit.

The Treasury Department Order No. 200 dated March 18, 1963, insofar as it relates to the creation of the Internal Audit Division, is amended accordingly. Other directives concerned with the departmental audit function continue to remain in effect except to the extent they are inconsistent with the change in the organization structure made by this Order.

ERNEST C. BETTS, Jr.,
Assistant Secretary for Administration.

No. 219, April 1, 1971.—Delegation of Authority

By virtue of the authority vested in me by Treasury Department Order No. 190 (Rev. 7), it is hereby ordered that the Deputy Assistant Secretary (Enforcement and Operations) is authorized to take final action with respect to any petition for remission, mitigation, or cancellation of any claim (including claim for liquidated damages), fine, or penalty (including forfeiture) incurred or arising under the Tariff Act of 1930, as amended, or any other law to the extent that it is administered by the Bureau of Customs.

Treasury Department Order No. 165, revised, shall not be affected by this Order.

Eugene T. Rossides,
Assistant Secretary of the Treasury.

No. 220, April 23, 1971.—Establishment of Offices in the Office of the Assistant Secretary (Enforcement and Operations)

By virtue of authority vested in the Secretary of the Treasury, including the authority in Reorganization Plan. No. 26 of 1950, and pursuant to the authority delegated to me as Assistant Secretary (Enforcement and Operations), including that delegated to me by Treasury Department Order No. 190 (Revision 7,) dated September 4, 1969, there are hereby established in the Office of the Secretary the following three offices:

Office of Law Enforcement
Office of Tariff and Trade Affairs
Office of Operations

These three offices shall be under the policy guidance of the Assistant Secretary (Enforcement and Operations); the Office of Law Enforcement and the Office of Tariff and Trade Affairs shall be under his immediate direction and supervision; and the Office of Operations shall be under the immediate supervision of the Deputy Assistant Secretary (Enforcement and Operations). The functions, responsibilities, and relationships of the Deputy Assistant Secretary and of these offices shall include, but shall not be limited to, the following:

Deputy Assistant Secretary

1. Acts as Assistant Secretary (Enforcement and Operations) during any absences of the Assistant Secretary.
2. Supervises the Bureau of the Mint, the Bureau of Engraving and Printing, the Consolidated Federal Law Enforcement Training Center and the Office of Operations and keeps the Assistant Secretary informed about the activities of these organizations.
3. Keeps fully informed about the work of the Offices of Law Enforcement and Tariff and Trade Affairs and provides assistance, as appropriate, to facilitate their smooth and effective functioning.
4. Supervises the internal operations of the Office of the Assistant Secretary to assure and facilitate its smooth operation and in this connection develops or coordinates the development and maintenance of a work program for the Office with input from each individual office director; assures the development of appropriate work programs by the bureaus, establishes necessary controls, including periodic activity reports for evaluation of office and bureau performance; consolidates and evaluates information received; advises and makes recommendations to the Assistant Secretary, as appropriate, and keeps offices and bureaus informed about progress.
5. Represents the Assistant Secretary in the review and promotion of the budget submission of the bureaus supervised.
6. Reviews and decides penalty and seizure cases submitted for mitigation determinations.

Office of Law Enforcement

1. Provides the focal and contact point at the Office of the Secretary level for all law enforcement initiatives and interactions with the individual bureaus of the Treasury; other departments and agencies of the Federal Government; and with other levels of government, the governments of other nations and INTERPOL.
2. Develops Treasury law enforcement policy; reviews law enforcement policy proposals by the bureaus; assesses bureau regulatory proposals for their effect

on existing Treasury law enforcement policies; and reviews and makes recommendations to the Assistant Secretary (Enforcement and Operations) on proposed legislation, regulatory changes, or other policy matters concerning law enforcement.

3. Develops policy, coordinates operations, monitors activities and evaluates performance and results for Treasury participation in national law enforcement programs and efforts, including the organized crime drive, the suppression of narcotic and dangerous drug smuggling, and any other interdepartmental law enforcement programs that may arise from time to time.

4. Coordinates Treasury's law enforcement plans, programs and intelligence operations.

5. Under the leadership of the Assistant Secretary (Enforcement and Operations) monitors and reviews Treasury-wide law enforcement activities and operations, coordinates inspection policies of the several enforcement agencies; selectively reviews enforcement and performance reports and instigates follow-up actions as appropriate; and makes recommendations to the Assistant Secretary leading to more effective Treasury law enforcement operations.

6. Provides for the Assistant Secretary, liaison and a link of communication with IRS, Customs and Secret Service on all enforcement policies, programs and activities; reviews their law enforcement executive reports; meets with their supervisory enforcement personnel; and reviews and advises on long range enforcement projects and plans.

7. Assists in bringing about the most effective cooperation between the several Treasury bureaus and the state, local and other national law enforcement agencies by keeping abreast of law enforcement developments and problems of the bureaus and legislative and regulatory developments in the states and local units of government which might affect Treasury's law enforcement intelligence, and by arranging the optimum deployment and cross utilization of resources.

8. Assures the coordination of Treasury-wide law enforcement activities throughout the Treasury field service through supervision of a system of Treasury Law Enforcement Coordination located in major cities throughout the country (at the present 22 cities), and through chairmanship of the Treasury Law Enforcement Coordination Council.

9. Provides advice and assistance to the Assistant Secretary (Enforcement and Operations) on protective operations carried out by the Secret Service. Evaluates the effectiveness of protective operations and policies and, in conformance with broad guidance by the Assistant Secretary, provides policy direction to the Secret Service on protective operations and related issues.

10. Represents the Assistant Secretary on interdepartmental law enforcement committees and task forces; maintains liaison with other national, local, and foreign law enforcement agencies; provides public information on Treasury law enforcement matters and maintains and arranges for the use of the Treasury Law Enforcement Exhibit; supervises and coordinates INTERPOL activities, through direction of the National Central Bureau; and provides a central point of contact in Treasury on law enforcement matters.

11. Evaluates Treasury's law enforcement training needs and experience and provides input on training requirements in terms of new or changed curriculum to the Director, Consolidated Federal Law Enforcement Training Center. Maintains close liaison with him and all Treasury enforcement agencies on training needs and effectiveness.

12. With guidance by the Assistant Secretary (Enforcement and Operations), provides leadership and stimulation to Treasury's law enforcement agencies in seeking out, planning and initiating the most effective approaches to Treasury law enforcement, and new concepts and ideas for crime suppression, avoidance and detection.

13. Coordinates Treasury's policies and programs for research and development and conducts scientific testing programs for law enforcement; provides leadership to the Treasury Laboratory Coordination and Review Board; sponsors research into law enforcement techniques and approaches related to Treasury's law enforcement mission; and exploits the latest developments in enforcement-related technology.

Office of Tariff and Trade Affairs

1. Serves as the principal support for the Assistant Secretary (Enforcement and Operations) in all tariff and trade matters, including the administration of antidumping and countervailing duty laws and regulations.

2. Assists the Assistant Secretary (Enforcement and Operations) in formulating and carrying out the plans and policies for overall top level administration of Treasury's responsibilities in tariff and classification matters.

3. Reviews all antidumping and countervailing duty cases investigated by the Bureau of Customs and recommends their disposition to the Assistant Secretary.

4. Conducts meetings of interested parties to antidumping proceedings to provide a final opportunity for complete exchange of views before a Treasury decision is made.

5. Provides the focal point on trade policy matters in the Office of the Assistant Secretary (Enforcement and Operations) for liaison with other components of the Department and of the Office of the Secretary, as well as with other departments and agencies of the Federal Government.

6. Reviews and makes recommendations to the Assistant Secretary (Enforcement and Operations) on proposed legislation, regulatory changes or other policy proposals on tariff and trade matters.

7. Represents the Assistant Secretary (Enforcement and Operations) on departmental, interdepartmental and international meetings or committees concerned with tariff and trade matters.

8. Prepares material for presentation to congressional committees on tariff and trade affairs and, in the absence of the Assistant Secretary (Enforcement and Operations), presents this material in direct testimony.

9. Prepares material for release in public media and responds to public inquiries on Treasury views on tariff and trade matters.

Office of Operations

1. Serves as the principal support for the Assistant Secretary (Enforcement and Operations) and the Deputy Assistant Secretary (Enforcement and Operations) in the administrative management and supervision of the bureaus assigned; i.e., the Bureau of Customs, the Secret Service, the Bureau of Engraving and Printing, the Bureau of the Mint and the Consolidated Federal Law Enforcement Training Center.

2. Except in the area of law enforcement, develops policy and programs, monitors operation and activities, and evaluates performance and results of the bureaus under the supervision of the Assistant Secretary (Enforcement and Operations) and makes recommendations as appropriate.

3. Reviews financial plans of the bureaus and makes recommendations on budget estimates, submissions and justifications.

4. Identifies issues and matters requiring coordination among the bureaus supervised by the Assistant Secretary and between these bureaus, the Office of the Assistant Secretary and other segments of the Office of the Secretary and the Department, and assures that such coordination takes place.

5. Coordinates with other departments and agencies significant operational matters (other than law enforcement) referred by or involving the bureaus supervised.

6. Coordinates the review and recommends to the Deputy Assistant Secretary (Enforcement and Operations) and the Assistant Secretary, as appropriate, the disposition of proposals for changes in organization, staffing and procedures by the bureaus supervised.

7. Reviews penalty and seizure cases prepared by the Bureau of Customs; arranges for and monitors conferences between petitioners and Treasury officials; and makes recommendations to the Deputy Assistant Secretary on disposition of cases including mitigation.

8. Reviews and makes recommendations on proposed legislation and regulatory changes affecting the bureaus supervised, excepting in the areas of law enforcement or tariff and trade affairs.

9. Operates for the Office of the Assistant Secretary (Enforcement and Operations) a secretariat for monitoring incoming correspondence and replies, and reviews correspondence on operational matters (other than law enforcement) for the Assistant Secretary's signature.

10. Assists the Office of Public Affairs in reviewing public affairs policy and projects of the bureaus supervised and in preparing material for release in public media; responds to Congressional and public inquiries concerning Treasury views on bureau operations.

EUGENE T. ROSSIDES,
Assistant Secretary of the Treasury.

Advisory Committees

Exhibit 70.—Advisory committees utilized by the Department of the Treasury under Executive Order 11007

During fiscal 1971 the advisory committees listed below were continued in use or newly established after a finding of public interest by the Secretary of the Treasury, in accordance with the requirements of Executive Order 11007, dated February 26, 1962. The information concerning the committees is published in the Annual Report in compliance with section 10 of the order.

Office of the Secretary

DEBT MANAGEMENT COMMITTEES

The Treasury Department, in connection with debt management duties, uses in an advisory capacity the services of a number of committees representing organizations which form a cross section of the American financial community. The committees meet periodically, at the invitation of the Treasury, to discuss and advise upon current and future Federal financings. The Treasury finds discussions with the advisory groups to be of great value, primarily in assessing the general market sentiment prior to a major refinancing of maturing obligations. Their recommendations are carefully considered by Treasury officials and serve as a part of the background environment for the final financing decisions. These committees are as follows:

- American Bankers Association, Government Borrowing Committee
- Investment Bankers Association of America, Governmental Securities Committee
- National Association of Mutual Savings Banks, Committee on Government Securities and the Public Debt
- Life Insurance Association of America and American Life Convention, Joint Economic Policy Committee
- U.S. Savings and Loan League, National League of Insured Savings Association, Advisory Committee on Government Securities
- Independent Bankers Association of America, Government Fiscal Policy Committee

Four meetings were held with the Government Borrowing Committee of the American Bankers Association in fiscal 1971, on July 28–29, October 21–22, January 19–20 and April 27–28. Membership of the Committee was as follows:

Paul I. Wren (Chairman)	Chairman of the Trust Committee, The First National Bank of Boston, Boston, Mass.
William T. Heffelfinger (Secretary)	Consultant, American Bankers Association, Washington, D.C.
Mills H. Anderson	President, Bank of Carthage, Carthage, Mo.
George S. Craft	Chairman of the Board, Trust Company of Georgia, Atlanta, Ga.
George S. Eccles	Chairman of the Board, First Security Bank of Utah, N.A., Salt Lake City, Utah
David Rockefeller	Chairman and Chief Executive Officer, The Chase Manhattan Bank, N.A., New York, N.Y.
Robert V. Roosa	Partner, Brown Brothers Harriman & Co., New York, N.Y.
Kenneth V. Zwiener	Chairman of the Board, Harris Trust and Savings Bank, Chicago, Ill.
Thomas O. Cooper	President, South Des Moines National Bank, Des Moines, Iowa
Gaylord A. Freeman, Jr.	Chairman of the Board, The First National Bank, Chicago, Ill.
Russ M. Johnson	Chairman and Chief Executive Officer, Deposit Guaranty National Bank, Jackson, Miss.
William H. Moore	Chairman of the Board, Bankers Trust Company, New York, N.Y.
Robert M. Surdam	President and Chief Executive Officer, National Bank of Detroit, Detroit, Mich.
Walter B. Wriston	Chairman and Chief Executive Officer, First National City Bank, New York, N.Y.

A. W. Clausen	President, Bank of America, N.T. & S.A., San Francisco, Calif.
Donald M. Graham	Chairman and Chief Executive Officer, Continental Illinois National Bank and Trust Company, Chicago, Ill.
John A. Moorhead	Chairman and Chief Executive Officer, Northwestern National Bank, Minneapolis, Minn.
Howard C. Peterson	Chairman of the Board, The Fidelity Bank, Philadelphia, Pa.
Emmett G. Solomon	Chairman and Chief Executive Officer, Crocker Citizens National Bank, San Francisco, Calif.
Charles J. Gable, Jr.	Executive Vice President, First Pennsylvania Bank, Philadelphia, Pa.
John J. Larkin	Senior Vice President, First National City Bank, New York, N.Y.
Donald C. Miller	Senior Vice President, Continental Illinois National Bank and Trust Company, Chicago, Ill.
Leland S. Prussia, Jr.	Vice President, Bank of America, N.T. & S.A., San Francisco, Calif.
Willis Alexander	Executive Vice President, American Bankers Association, Washington, D.C.
Nat S. Rogers	President, First City National Bank, Houston, Tex.
Douglas R. Smith	Chairman of the Board and President, National Savings and Trust Company, Washington, D.C.
Clifford C. Sommer	President, Security Bank and Trust Company, Owatonna, Minn.
Allen P. Stults	Chairman of the Board and Chief Executive Officer, American National Bank and Trust Company, Chicago, Ill.

Four meetings were held with the Governmental Securities Committee of the Investment Bankers Association of America in fiscal 1971, on July 28–29, October 21–22, January 19–20 and April 27–28.

Membership of the Committee was as follows:

C. Richard Youngdahl (Chairman)	President, Aubrey G. Lanston & Company, Inc., New York, N.Y.
Edward D. McGrew (Vice Chairman)	Senior Vice President, The Northern Trust Company, Chicago, Ill.
Daniel Ahearn	Vice President, Wellington Fund, Boston, Mass.
David J. Barry	Vice President and Treasurer, Manufacturers Hanover Trust Company, New York, N.Y.
Robert H. Bethke	Chairman of the Executive Committee, Discount Corporation of New York, New York, N.Y.
Robert B. Blythe	Vice Chairman, National City Bank of Cleveland, Cleveland, Ohio
Robert H. Britton	Executive Vice President, Briggs, Schaedle & Co., Inc., New York, N.Y.
Alan K. Browne	Senior Vice President, Bank of America, N.T. & S.A., San Francisco, Calif.
Carl F. Cooke	Senior Vice President, The First Boston Corporation, New York, N.Y.
G. Lamar Crittenden	Senior Vice President, First National Bank of Boston, Boston, Mass.
Stewart A. Dunn	Vice President and Director, Merrill Lynch, Pierce, Fenner & Smith, New York, N.Y.
Donald R. Koessel	Senior Vice President, First National Bank of Minneapolis, Minneapolis, Minn.
Ralph F. Leach	Vice Chairman, Morgan Guaranty Trust Company, New York, N.Y.
Edward R. McMillan	Senior Vice President, National Bank of Commerce, Seattle, Wash.
Robert P. Murphy	Senior Vice President, First National Bank in Dallas, Dallas, Tex.
John H. Perkins	Executive Vice President, Continental Illinois National Bank and Trust Company, Chicago, Ill.

Robert B. Rivel	Executive Vice President, The Chase Manhattan Bank, N.A., New York, N.Y.
H. Jack Runnion, Jr.	Senior Vice President, Wachovia Bank and Trust Company, Winston-Salem, N.C.
William E. Simon	Partner, Solomon Brothers, New York, N.Y.
Robert W. Stone	Senior Vice President, Irving Trust Company, New York, N.Y.
Paul E. Uhl	Executive Vice President, United California Bank, Los Angeles, Calif.

One meeting was held with the Committee on Government Securities and the Public Debt of the National Association of Mutual Savings Banks in fiscal 1971, on July 16, 1970.

Membership of the Committee was as follows:

Robert J. Hill (Chairman)	President, New Hampshire Savings Bank, Concord, N.H.
Anthony I. Eyring	President, Washington Mutual Savings Bank, Seattle, Wash.
G. Churchill Francis	President, The Boston Five Cents Savings Bank, Boston, Mass.
William H. Harder	President, Buffalo Savings Bank, Buffalo, N.Y.
Clifford A. Henze	President, The Kingston Savings Bank, Kingston, N.Y.
Sheldon L. Ladd	President and Treasurer, The Central Bank for Savings, Meriden, Conn.
Theodore W. Lowen	President, Savings Banks Trust Company, New York, N.Y.
Bernard H. McMahon	President, Springfield Five Cents Savings Bank, Springfield, Mass.
Alfred S. Mills	Chairman, The New York Bank for Savings, New York, N.Y.
Albert L. Moore	Treasurer, Waterville Savings Bank, Waterville, Maine
Lester J. Norcross	President, Syracuse Savings Bank, Syracuse, N.Y.
Donald P. Noyes	President, North Avenue Savings Bank, Cambridge, Mass.
Frederick C. Ober	President, Newton Savings Bank, Newton, Mass.
William H. Smith, 2nd	President, Holyoke Savings Bank, Holyoke, Mass.
Grover W. Ensley	Executive Vice President, National Association of Mutual Savings Banks, New York, N.Y.
Saul B. Klaman	Vice President and Chief Economist, National Association of Mutual Savings Banks, New York, N.Y.
Jack Rubinson	Associate Economist, National Association of Mutual Savings Banks, New York, N.Y.

One meeting was held with the Joint Economic Policy Committee of the Life Insurance Association of America and the American Life Convention in fiscal 1971, on April 2, 1971.

Membership of the Committee was as follows:

J. Henry Smith (Chairman)	President, The Equitable Life Assurance Society of the United States, New York, N.Y.
Franklin Briese	Chairman of the Board, The Minnesota Mutual Life Insurance Company, St. Paul, Minn.
R. Manning Brown, Jr.	President, New York Life Insurance Company, New York, N.Y.
George T. Conklin, Jr.	President, The Guardian Life Insurance Company of America, New York, N.Y.
George B. Cook	Chairman of the Board, Bankers Life Insurance Company of Nebraska, Lincoln, Nebr.
L. O. Copeland	Chairman of the Board and President, North American Life Insurance Company of Chicago, Chicago, Ill.
Francis E. Ferguson	President, The Northwestern Mutual Life Insurance Company, Milwaukee, Wis.

W. D. Grant	Chairman of the Board and President, Business Men's Assurance Company of America, Kansas City, Mo.
Dean W. Jeffers	President and General Manager, Nationwide Life Insurance Company, Columbus, Ohio
Donald S. MacNaughton	Chairman of the Board, The Prudential Insurance Company of America, Newark, N.J.
John J. Magovern, Jr.	President, The Mutual Benefit Life Insurance Company, Newark, N.J.
Frederic M. Peirce	Chairman of the Board, General American Life Insurance Company, St. Louis, Mo.
Henry F. Rood	Chairman of the Board, The Lincoln National Life Insurance Company, Fort Wayne, Ind.
W. Roger Soles	President, Jefferson Standard Life Insurance Company. Greensboro, N.C.
Donald H. Wilson, Jr.	President, Monumental Life Insurance Company, Baltimore, Md.

One meeting was held with the Advisory Committee on Government Securities of the Savings and Loan Business, on December 16, 1970.

Membership of the Committee was as follows:

C. L. Clements, Sr.	President, Chase Federal Savings & Loan Association, Miami Beach, Fla.
Junius F. Baxter	President, Western Federal Savings & Loan Association, Denver, Colo.
Frederick Bjorklund	President, Minnesota Federal Savings & Loan Association, St. Paul, Minn.
John Zellars	Vice President, Representing W. O. DuVall, Chairman of the Board, Atlanta Federal Savings & Loan Association, Atlanta, Ga.
George Allison	Vice President, representing E. Stanley Enlund, President, First Federal Savings & Loan Association, Chicago, Ill.
Paul Basner	Executive Vice President and Secretary, representing Richard Gilbert, President, Citizens Savings Association, Canton, Ohio
Vincent Kennedy	Vice President, representing George Mooney, President, Washington Heights Federal Savings & Loan Association, New York, N.Y.
Jack Randolph, Jr.	President, First Federal Savings & Loan Association, Richmond, Va.
Tom Scott, Jr.	President and Chief Executive Officer, First Federal Savings & Loan Association, Jackson, Miss.
Robert Weise	Vice President, representing A. D. Theobold, President, First Federal Savings & Loan Association, Peoria, Ill.
Donald Thompson	Senior Vice President, California Federal Savings & Loan Association, Los Angeles, Calif.
James A. Hollensteiner	Staff Vice President, U.S. Savings & Loan League, Chicago, Ill.
William Reynolds	Executive Vice President, National League of Insured Savings Associations, Washington, D.C.

One meeting was held with the Government Fiscal Policy Committee of the Independent Bankers Association of America (IBAA) in fiscal 1971, on January 13, 1971.

Membership of the Committee was as follows:

Rod L. Parsch	President, IBAA, and President, Lapeer County Bank & Trust Company, Lapeer, Mich.
Donald M. Carlson	First Vice President, IBAA, and President, Elmhurst National Bank, Elmhurst, Ill.
H. L. Gerhart, Jr.	Second Vice President, IBAA, and President, First National Bank, Newman Grove, Nebr.
Gene Moore	Secretary, IBAA, Sauk Centre, Minn.
C. Herschel Schooley	Washington Office Manager, IBAA, Washington, D.C.

William F. Enright, Jr.	Chairman, Government Fiscal Policy Committee, and Senior Vice President, American National Bank, St. Joseph, Mo.
Milton J. Hayes	Vice Chairman, Government Fiscal Policy Committee, and Senior Vice President, American National Bank & Trust Company, Chicago, Ill.
S. E. Babington	Past President, IBAA, Brookhaven, Miss.
O. K. Johnson	Past President, IBAA, Milwaukee, Wis.
Don R. Ostrand	Vice President, First National Bank of Omaha, Omaha, Nebr.
J. C. Reeves	Senior Vice President, The National Bank of Commerce, Pine Bluff, Ark.
Raymond K. Smith	President, First National Bank & Trust Company, Corning, N.Y.

TREASURY LIAISON COMMITTEE OF THE BUSINESS COUNCIL

The Secretary of the Treasury proposed this Committee on May 8, 1965, "to keep up a two-way exchange and dialog on areas of material concern to the Treasury and the business community." The Committee consists of members informally recommended and appointed by the Business Council and the Secretary of the Treasury. The functions of the Committee are advisory and consultative. Formation of the Committee was announced on July 8, 1965.

The Committee did not meet in fiscal 1971. The members are:

Thomas S. Gates, Jr. (Chairman)	Chairman, Executive Committee, Morgan Guaranty Trust Company of New York, New York, N.Y.
E. Mandell de Windt	Chairman, Eaton Yale & Towne, Inc., Cleveland, Ohio
Frederic G. Donner	Retired Chairman of General Motors, New York, N.Y.
Elisha Gray II	Chairman, Whirlpool Corporation, Benton Harbor, Mich.
William A. Hewitt	Chairman, Deere & Company, Moline, Ill.
Frank R. Millikin	President, Kennecott Copper Corporation, New York, N.Y.
Charles F. Myers, Jr.	Chairman, Burlington Industries, Inc., Greensboro, N.C.
David Rockefeller	Chairman, Chase Manhattan Bank, New York, N.Y.
Charles B. Thornton	Chairman, Litton Industries, Inc., Beverly Hills, Calif.

Internal Revenue Service

The Advisory Group to the Commissioner of Internal Revenue was established on June 17, 1959. It is comprised of distinguished professionals concerned with Federal taxation and provides constructive suggestions on ways in which the Service can improve its operations.

The Group met on October 12–13, 1970. The members are:

Donald C. Alexander	Dinsmore, Shohl, Barrett, Coates and Deupres, Cincinnati, Ohio
William T. Barnes	Lybrand, Ross Bros. & Montgomery, Washington D.C.
Norton M. Bedford	Professor, University of Illinois at Urbana-Champaign, College of Commerce and Business Administration, Urbana, Ill.
J. Keith Butters	Professor, Harvard University, Graduate School of Business Administration, Boston, Mass.
Sheldon S. Cohen	Cohen & Uretz, Washington, D.C.
F. Cleveland Hedrick, Jr.	Hedrick & Lane, Washington, D.C.
William M. Horne, Jr.	Reed, Smith, Shaw & McClay, Washington, D.C.
Walter L. Kidd	Director of Taxes, American Telephone & Telegraph Co., New York, N.Y.
Jeff Blair McIlroy	Public Accountant, Little Rock, Ark.
A. Waldo Sowell, Jr.	CPA, Alexander Grant & Company, Atlanta, Ga.
Maurice E. Stark	Stark & Crumley, Fort Dodge, Iowa
Arthur B. Willis	Willis, Butler & Scheifly, Los Angeles, Calif.

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ART ADVISORY GROUP

The Art Advisory Group was established by the Commissioner of Internal Revenue on February 1, 1968.

This Group consists of members representing the three major segments of the art world—museums, universities, and dealers. The Group provided advice on the valuation of works of art for Federal tax purposes at meetings held on July 23–24 and November 12–13, 1970, and April 7–8, 1971.

Richard F. Brown	Director, Kimbell Foundation, Fort Worth, Tex.
Charles E. Buckley	Director, City Art Museum, St. Louis, Mo.
Anthony M. Clark	Director, Minneapolis Institute of Arts, Minneapolis, Minn.
Perry B. Cott	Chief Curator (Ret.), National Gallery of Art, Washington, D.C.
Charles C. Cunningham	Director, Los Angeles Couty Museum of Art, Los Angeles, Calif.
Louis Goldenberg	Art Dealer, Wildenstein & Co., New York, N.Y.
George H. Hamilton	Professor, Williams College, Williamstown, Mass.
Bartlett H. Hayes	Director, American Academy, Rome, Italy
Sherman E. Lee	Director, Cleveland Museum of Art, Cleveland, Ohio
William S. Lieberman	Director, Painting & Sculpture, Drawings & Prints, Museum of Modern Art, New York, N.Y.
Charles F. Montgomery	Professor, Yale University, New Haven, Conn.
Frank Perls	Art Dealer, Perls Gallery, Beverly Hills, Calif.
Esther W. Robles	Art Dealer, Esther Robles Gallery, Los Angeles, Calif.
Alexander P. Rosenberg	Art Dealer, Paul Rosenberg & Co., New York, N.Y.
Theodore Rousseau	Vice Director, Metropolitan Museum of Art, New York, N.Y.
Merrill C. Rueppel	Director, Dallas Museum of Fine Arts, Dallas, Tex.
Eugene V. Thaw	Art Dealer, E. V. Thaw Co., New York, N.Y.

ADVISORY COMMITTEE ON EXEMPT ORGANIZATIONS

In November 1969 the Commissioner announced the appointment of 15 distinguished Americans to the newly created Advisory Committee on Exempt Organizations. These widely experienced people have agreed to serve as Internal Revenue Service consultants in the nature of a sounding board to review problems in charting the outer limitations of the tax law regarding religious, educational, charitable, and other organizations which constitute the majority of tax exempt organizations.

The Committee met on September 28–29, 1970, and January 25–26, 1971. Present membership is as follows:

Fred C. Scribner, Jr. (Chairman)	Atwood, Scribner, Allen & McKusick, Portland, Maine
Carlton P. Alexis	Associate Professor of Medicine, Howard University, Washington, D.C.
Donald T. Burns	Arthur Young & Co., Los Angeles, Calif.
Charles O. Galvin	Dean, School of Law, Southern Methodist University, Dallas, Tex.
H. J. Heinz, II	Chairman of the Board, H. J. Heinz Co., Pittsburgh, Pa.
Adelaide Cromwell Hill	Boston University, Afro-American Studies Center, Brookline, Mass.
John R. Hogness	Executive Vice President, University of Washington, Seattle, Wash.
James Roger Hull	Chairman of the Board, Mutual Life Insurance Co. of New York, New York, N.Y.
Louis J. Lefkowitz	Attorney General, State of New York, New York, N.Y.
Harry K. Mansfield	Ropes and Gray, Boston, Mass.
Bishop Francis John Mugavero	Brooklyn, N.Y.
Rabbi Ralph Simon	Congregation Rodfei Zedek, Chicago, Ill.

Richard J. Whalen	Washington, D.C.
Rene A. Wormser	Wormser, Koch, Kiely & Alessandroni, New York, N.Y.

ADVISORY COMMITTEE ON THE CATTLE INDUSTRY

In October 1970 the Commissioner formed an Advisory Committee on the Cattle Industry. A primary purpose of the Committee is to counsel the Service in implementing important changes in the tax law; such as, those regarding the holding period for livestock for capital gains treatment, the exchange of livestock, and hobby losses. The Committee will advise the Service on development of policies for administering new code provisions dealing with cattle and will be asked to comment upon proposed administrative guidelines or revenue rulings.

The Committee held meetings on January 11 and 12, 1971. The members are.

Tobin Armstrong	General manager & owner of Particcion and Armstrong ranches, Armstrong, Tex.
W. T. Berry, Jr.	Executive Secretary, American Hereford Association, Kansas City, Mo.
Harvie Branscomb, Jr.	Branscomb, Gary, Thomasson & Hall, Corpus Christi, Tex.
Frank D. Brown, Jr.	Mt. Ararat Farms, Port Deposit, Md.
Gordon M. Cairns	Dean, College of Agriculture, University of Maryland, College Park, Md.
Ben H. Carpenter	Chairman of the Board & Chief Executive Officer, Southland Life Insurance Co., Dallas, Tex.
Donald V. Hunter	Vice President, National Livestock Feeders Association, Centerville, S. Dak.
John M. Marble	Rancho Tularcitos, Carmel Valley, Calif.
Robert H. Rumler	Executive Secretary, Holstein-Friesian Association of America, Brattleboro, Vt.
Nelson E. Tamplin	Partner, Ernst & Ernst, Denver, Colo.
John Trotman	President, Trotman Cattle Company, Montgomery, Ala.
Gordon VanVleck	Vice President, American National Cattlemen's Association, Plymouth, Calif.

ADVISORY COMMITTEE ON THE HORSE INDUSTRY

In October 1970 the Commissioner announced the formation of an Advisory Committee on the Horse Industry. Composed of 15 distinguished citizens whose experience and special knowledge of the industry has long been recognized, the Committee includes representatives of the academic community and professional groups concerned with horses. The primary purpose of the Committee is to apply its special expertise to counsel the Service in implementing important changes; such as, those regarding the holding period for livestock for capital gains treatment, the exchange of livestock, and hobby losses. Members also take part in the development of policies and comment on administrative guidelines or proposed rulings dealing with horses.

The Committee held meetings on January 21 and 22, 1970. Membership is as follows:

Albert G. Clay	Secretary of the American Horse Council, Inc., Mt. Sterling, Ky.
Benjamin Eshleman, Jr.	Partner, Eshleman-Vogt Ranch, Corpus Christi, Tex.
William S. Farish III	President, Blue Creek Ranch Co., Houston, Tex.
W. Sidney Felton	Cofounder and general counsel of the United States Pony Clubs, Inc., Pride Crossing, Mass.
Katherine Haley	Thoroughbred owner, Ventura, Calif.
Max C. Hempt	Owner of Hempt Farms and officer in numerous horse organizations, Mechanicsburg, Pa.
Edward H. Honnen	Chairman of the Board of Trustees, American Horse Council, Inc., Denver, Colo.
Warner L. Jones, Jr.	President, Thoroughbred Breeders of Kentucky, and board member, Churchill Downs and the American Horse Council, Inc., Goshen, Ky.

Robert H. Kieckhefer	Chairman, American Quarter Horse Association judges' committee, Prescott, Ariz.
Robert G. Lawrence	Member, University of Maryland Horse Council and author of numerous articles relating to quarter horse industry, College Park, Md.
Kenneth Merdith	CPA specializing in financial matters relating to the horse industry, Wichita, Kans.
Gayle Mohney	Attorney representing Keeneland Association and Breeders Sales, Co., Lexington, Ky.
Ogden Phipps	Chairman, The Jockey Club, and vice-chairman the American Horse Council, Inc., New York, N.Y.
Hart H. Spiegel	Counsel for both horse and cattle ranchers and former chief counsel of the Internal Revenue Service, San Francisco, Calif.
Frederick L. Van Lennep	Treasurer and member of the Board of Trustees, American Horse Council, Inc., Lexington, Ky.

Comptroller of the Currency

CONSULTING COMMITTEE OF BANK ECONOMISTS

On November 23, 1965, the Comptroller announced the appointment of a Consulting Committee of Bank Economists which included seven national bank economists. This Committee's function was to advise the Comptroller and his staff and work with the National Advisory Committee. The Committee's primary responsibility was to bring their specialized experience and technical knowledge to bear on current problems of banking policy and practice.

The members of this Committee, which met in fiscal 1971 on October 28, 1970, and June 23, 1971, were as follows:

John J. Balles (Chairman)	Senior Vice President, Mellon National Bank & Trust Company, Pittsburgh, Pa.
William F. Butler	Vice President, The Chase Manhattan Bank, N.A., New York, N.Y.
James M. Dawson	Vice President and Economist, National City Bank of Cleveland, Cleveland, Ohio
Walter Hoadley	Executive Vice President and Chief Economist, Bank of America, N.T. & S.A., San Francisco, Calif.
Herbert E. Johnson	Vice President, Continental Illinois National Bank & Trust Company of Chicago, Chicago, Ill.
William J. Korsvik	Vice President, First National Bank of Chicago, Chicago, Ill.
Leif H. Olsen	Senior Vice President & Economist, First National City Bank, New York, N.Y.
Eugene C. Zorn, Jr.	Senior Vice President & Economist, Republic National Bank of Dallas, Dallas, Tex.

INVESTMENT SECURITIES ADVISORY COMMITTEE

In 1962, the Comptroller of the Currency established the Investment Securities Advisory Committee. The purpose of the Committee was to advise the agency on matters pertaining to the regulations concerning investment securities.

Members of the Committee, who met in fiscal 1971 on October 22, 1970, were as follows:

John H. Perkins (Chairman)	Executive Vice President, Continental Illinois National Bank & Trust Company of Chicago, Chicago, Ill.
Alan K. Browne	Senior Vice President, Bank of America, N.T. & S.A., San Francisco, Calif.
Richard F. Kezer	Vice President, First National City Bank, New York, N.Y.
Lewis F. Lyne	President, Mercantile National Bank at Dallas, Dallas, Tex.

Early F. Mitchell	Executive Vice President, First National Bank of Memphis, Memphis, Tenn.
Arthur H. Quinn, Jr.	Vice President, The Philadelphia National Bank, Philadelphia, Pa.
LeRoy F. Piche	Vice President, Northwest Bancorporation, Minneapolis, Minn.
Thomas L. Ray	Senior Vice President, Mercantile Trust Company, N.A., St. Louis, Mo.
Robert B. Rivel	Executive Vice President, The Chase Manhattan Bank, N.A., New York, N.Y.
Franklin Stockbridge	Executive Vice President, Security Pacific National Bank, Los Angeles, Calif.
James G. Wilson	Senior Vice President, The National Shawmut Bank of Boston, Boston, Mass.

NATIONAL ADVISORY COMMITTEE ON BANKING POLICIES AND PRACTICES

On October 4, 1965, the Comptroller of the Currency appointed this Committee, composed of leading bankers. The Committee has participated in a cooperative effort to bring the thinking of the banking community to bear on the many matters of national concern in which the banking industry is vitally involved. No meetings of this Committee were held in fiscal 1971. Members of the Committee are as follows:

Robert C. Baker	Chairman, American Security & Trust Company, Washington, D.C.
Robert M. Surdam	President, National Bank of Detroit, Detroit, Mich.
Roger C. Damon	Chairman of the Board, The First National Bank of Boston, Boston, Mass.
G. Morris Dorrance, Jr.	Chairman of the Board, President, and Chief Executive Officer, The Philadelphia National Bank, Philadelphia, Pa.
George S. Eccles	President, First Security Bank of Utah, Salt Lake City, Utah
J. A. Elkins, Jr.	Chairman of the Board, First City National Bank of Houston, Houston, Tex.
John S. Fangboner	Chairman of the Board, The National City Bank of Cleveland, Cleveland, Ohio
Sam M. Fleming	Chairman of the Board, Third National Bank in Nashville, Nashville, Tenn.
Robert D. H. Harvey	Chairman of the Board & Chief Executive Officer, Maryland National Bank, Baltimore, Md.
William M. Jenkins	Chairman of the Board, Seattle First National Bank, Seattle, Wash.
Mills B. Lane, Jr.	President, The Citizens & Southern National Bank, Atlanta, Ga.
Frederick G. Larkin, Jr.	Chairman of the Board, Security Pacific National Bank, Los Angeles, Calif.
John A. Mayer	Chairman of the Board, Mellon National Bank & Trust Company, Pittsburgh, Pa.
J. E. Patrick	Vice Chairman of the Board, Valley National Bank of Arizona, Phoenix, Ariz.
R. A. Peterson	Director, Bank of America, N.T. & S.A., San Francisco, Calif.
W. Harry Schwarzschild, Jr.	Chairman of the Board & President, The Central National Bank, Richmond, Va.
Robert H. Stewart III	Chairman of the Board, First National Bank in Dallas, Dallas, Tex.

REGIONAL ADVISORY COMMITTEES ON BANKING POLICIES AND PRACTICES

On November 11, 1965, the Comptroller of the Currency established 14 Regional Advisory Committees on Banking Policies and Practices to assist the agency in a continuing review aimed at keeping bank regulations abreast of the Nation's needs.

The Committees' membership and the dates of the regional meetings during fiscal 1971 follow:

Region 1 meeting date, June 10, 1971.

Harlan H. Griswold (Chairman)	Chairman of the Board, The Waterbury National Bank, Waterbury, Conn.
Clarence H. Gifford, Jr.	President, Rhode Island Hospital Trust National Bank, Providence, R.I.
Francis N. Southworth	President, Concord National Bank, Concord, N.H.
Frank W. Black	Executive Vice President, The Peoples National Bank of Barre, Barre, Vt.
Richard D. Hill	President, The First National Bank of Boston, Boston, Mass.
Wendell L. Phillips	President, Northern National Bank, Presque Isle, Maine
Arnold M. Leibowitz	President, The Constitution National Bank, Hartford, Conn.
John D. Robinson	President, The First National Bank of Farmington, Farmington, Maine
Leslie N. Hutchinson	President, Bay State National Bank, Lawrence, Mass.
Harry Carey	President, First Bristol County National Bank, Taunton, Mass.
Ronald R. Findlay	President, First National Bank of Franklin County, Greenfield, Mass.
Fred A. White	President, Dartmouth National Bank of Hanover, Hanover, N.H.

Region 2 meeting dates, November 20–21, 1970, and April 29–May 2, 1971.

Edward C. Bower (Chairman)	President, Virgin Islands National Bank, Charlotte Amalie, St. Thomas, V.I.
James D. Elleman	President, Trust Company National Bank, Morristown, N.J.
Edward J. Gunnigle	President, Marine Midland Tinker National Bank, East Setauket, N.Y.
Arthur S. Hamlin	President, The Canandaigua National Bank & Trust Company, Canandaigua, N.Y.
Charles E. Langner	President, First National Bank of Belvidere, Belvidere, N.J.
Donald E. Stone	President, Farmers National Bank, Malone, N.Y.
Charles A. Agemian	Chairman of the Board, Garden State National Bank, Hackensack, N.J.
Richard F. Linstrom	President, First Trust Company of Albany, N.A., Albany, N.Y.
Ralph H. Mather	Chairman of the Board, The First National Bank of Princeton, Princeton, N.J.
Raymond L. Steen	President, The Broad Street National Bank, Trenton, N.J.
Harry J. Taw	President, First National Bank of Cortland, Cortland, N.Y.
John H. Vogel	President, National Bank of North America, Jamaica, N.Y.

Region 3 had no meetings.

Frank S. Smith (Chairman)	President, The First National Bank of Altoona, Altoona, Pa.
John J. G. Deemer	President, Williamsport National Bank, Williamsport, Pa.
William F. Jones	President, Easton National Bank and Trust Company, Easton, Pa.
J. Bruce Maclay	President, The Gettysburg National Bank, Gettysburg, Pa.

H. R. Sloan	President, The Bradford National Bank, Bradford, Pa.
Ernest R. Andrew	Chairman of the Board and President, DuBois Deposit National Bank, DuBois, Pa.
James E. Brucklacher	President, Cumberland County National Bank and Trust Company, New Cumberland, Pa.
Norman. D. Denny	Chairman of the Board, Lincoln National Bank, Philadelphia, Pa.
Robert K. Gicking	President, The Hazleton National Bank, Hazleton, Pa.
M. A. Powers	Chairman of the Board, First National Bank & Trust Company, Washington, Pa.
Thomas L. Wentling	President, Southwest National Bank of Pennsylvania, Greensburg, Pa.
H. Myron Wetzel	President, Third National Bank & Trust Company of Scranton, Scranton, Pa.

Region 4 meeting dates October 2, 1970, and April 30, 1971.

R. A. Brownsword (Chairman)	President, Akron National Bank and Trust Company, Akron, Ohio
L. J. Arnold	President, The First National Bank of Danville, Danville, Ind.
Maxwell J. Gruber	Chairman of the Board, Euclid National Bank, Euclid, Ohio
Robert J. Johnson	President, Pikeville National Bank & Trust Company, Pikeville, Ky.
Maurice B. Kirkwood	Vice President, American Fletcher National Bank and Trust Company, Indianapolis, Ind.
Jo T. Orendorf	Chairman of the Board and President, The Citizens National Bank of Bowling Green, Bowling Green, Ky.
L. E. Baughman	President, The Second National Bank of Warren, Warren, Ohio
Ellis G. Camp	Chairman of the Board, The Wayne County National Bank of Wooster, Wooster, Ohio
Maurice H. Kirby	Chairman of the Board, The First National Bank of Henderson, Henderson, Ky.
Wathen Claycomb	President, The Lincoln National Bank of Hodgenville, Hodgenville, Ky.
William J. Riley	Chairman of the Board, First National Bank of East Chicago, Indiana, East Chicago, Ind.
Lex B. Wilkinson	Chairman of the Board and President, American National Bank & Trust Company of South Bend, South Bend, Ind.

Region 5 meeting date, December 10, 1970.

Thomas I. Storrs (Chairman)	President, North Carolina National Bank, Charlotte, N.C.
Francis Bell, Jr.	President, Rockingham National Bank, Harrisonburg, Va.
W. W. McCathern	President, The Colonial-American National Bank of Roanoke, Roanoke, Va.
John M. Christie	President, The Riggs National Bank of Washington, D.C., Washington, D.C.
Dale H. Smith	Chairman of the Board and President, Fairfax County National Bank, Seven Corners, Va.
Martin Piribek	Executive Vice President, The First National Bank of Morgantown, Morgantown, W. Va.
E. R. Harris, Jr.	President, The Fidelity National Bank, Lynchburg, Va.
Hector MacLean	President, Southern National Bank of North Carolina, Lumberton, N.C.
Tilton H. Dobbin	President, Maryland National Bank, Baltimore, Md.

C. A. Cutchins III	President, Virginia National Bank, Norfolk, Va.
W. K. Bentley	President, The Flat Top National Bank of Bluefield, Bluefield, W. Va.
Joseph M. Gough, Jr.	President, The First National Bank of St. Mary's, Leonardtown, Md.

Region 6 meeting dates, November 13, 1970, and April 30–May 2, 1971.

John H. Lumpkin (Chairman)	Chairman of the Board, The South Carolina National Bank, Columbia, S.C.
R. H. Makemson (Vice Chairman)	President, Broward National Bank, Fort Lauderdale, Fla.
Ray Dahl	President, First National Bank of Cape Canaveral, Cape Canaveral, Fla.
John H. Manry, Jr.	President, Florida National Bank and Trust Company at Miami, Miami, Fla.
Billy E. Nalls	President, Farmers National Bank, Monticello, Ga.
Donald T. Schlutt	President, First National Bank, Valdosta, Ga.
T. E. Tucker	Chairman of the Board, National Bank of Melbourne & Trust Company, Melbourne, Fla.
King D. Cleveland	President, The National Bank of Georgia, Atlanta, Ga.
William C. Coleman	President, Palmer First National Bank and Trust Company, Sarasota, Fla.
G. L. Grantham	President, First National Bank of Easley, Easley, S.C.
Jack P. Keith	President, First National Bank, West Point, Ga.
George E. Tomberlin	President, Manatee National Bank, Bradenton, Fla.

Region 7 meeting date, November 17, 1970.

Robert I. Logan (Chairman)	President, Central National Bank in Chicago, Chicago, Ill.
Jay J. DeLay	President, Huron Valley National Bank, Ann Arbor, Mich.
Edward W. Bowen	President, Peoples National Bank & Trust Company of Bay City, Bay City, Mich.
Richard L. Curtis	President, Michigan Avenue National Bank of Chicago, Chicago, Ill.
M. Ryrie Milnor	President, First National Bank & Trust Company in Alton, Alton, Ill.
William R. Wandrey	Chairman of the Board and President, Moline National Bank, Moline, Ill.
Melvin C. Lockard	President, First National Bank, Mattoon, Ill.
Robert L. Holt	Chairman of the Board, The Elgin National Bank, Elgin, Ill.
James H. Duncan	President, First National Bank & Trust Company of Michigan, Kalamazoo, Mich.
Ned A. Kilmer, Jr.	President, City Bank and Trust Company, N.A., Jackson, Mich.
James H. Smaby	President, Commercial National Bank of Iron Mountain, Iron Mountain, Mich.
Lewis H. Clausen	President, The Champaign National Bank, Champaign, Ill.

Region 8 meeting dates, November 16, 1970, and April 26, 1971.

W. A. Marbury, Jr. (Chairman)	President, Homer National Bank, Homer, La.
Andrew Benedict	Chairman of the Board, First American National Bank, Nashville, Tenn.
Lewis K. McKee	Chairman of the Board, National Bank of Commerce, Memphis, Tenn.
Walter B. Jacobs, Jr.	Chairman of the Board, The First National Bank, Shreveport, La.

Wade C. Barton	President, First Citizens National Bank, Tupelo, Miss.
Wade W. Hollowell	President, The First National Bank, Greenville, Miss.
W. T. Cothran	Chairman of the Board, Birmingham Trust National Bank, Birmingham, Ala.
W. H. Mitchell	President, First National Bank, Florence, Ala.
Wayne A. Stone	Chairman, Simmons First National Bank, Pine Bluff, Ark.
D. C. West	President, First National Bank, Berryville, Ark.
Frank M. Patty	President, Delta National Bank, Yazoo City, Miss.
Robert E. Curry	President, First National Bank, Pulaski, Tenn.

Region 9 meeting date, March 2, 1971.

D. H. Gregerson (Chairman)	President, First National Bank in Anoka, Anoka, Minn.
W. A. Kummrow	President, First National Bank of Waukesha, Waukesha, Wis.
Marvin R. Campbell	President, The First National Bank of Crookston, Crookston, Minn.
John E. Davis	President, The First National Bank of McClusky, McClusky, N. Dak.
Scott Lovald	President, First National Bank in Philip, Philip, S. Dak.
Carl F. Wilke	President, Shawano National Bank, Shawano, Wis.
George H. Dixon	President, First National Bank of Minneapolis, Minneapolis, Minn.
John C. Geilfus	President, Marine National Exchange Bank, Milwaukee, Wis.
Erling Haugo	President, Valley National Bank of Sioux Falls, Sioux Falls, S. Dak.
Donald C. Miller	President, Community National Bank of Grand Forks, Grand Forks, N. Dak.
John F. Nash	President, American National Bank & Trust Company, St. Paul, Minn.
Weber L. Smith, Jr.	President, First Wisconsin National Bank of Madison, Madison, Wis.

Region 10 meeting dates, November 4, 1970, and May 20, 1971.

A. Dwight Button (Chairman)	Chairman of the Board, The Fourth National Bank & Trust Company, Wichita, Kans.
Thomas R. Smith	President, The First National Bank of Perry, Perry, Iowa
A. J. Collins	President, Hutchinson National Bank & Trust Company, Hutchinson, Kans.
Ray Evans	President, Traders National Bank of Kansas City, Kansas City, Mo.
Milton Tottle, Jr.	President, The American National Bank of St. Joseph, St. Joseph, Mo.
H. D. Kosman	President, The Scottsbluff National Bank, Scottsbluff, Nebr.
Eldon G. Freudenburg	President, The First National Bank of West Point, West Point, Nebr.
B. C. Grangaard	Chairman of the Board and President, Central National Bank & Trust Company of Des Moines, Des Moines, Iowa
J. T. Grant	Chairman of the Board and President, First National Bank in Sioux City, Sioux City, Iowa
W. W. Marshall, Jr.	Chairman of the Board and President, Commercial National Bank & Trust Company, Grand Island, Nebr.

Evans McReynolds	President, The Union National Bank of Springfield, Springfield, Mo.
Merrill H. Werts	President, The First National Bank, Junction City, Kans.

Region 11 meeting dates, December 11, 1970, and April 22–23, 1971.

Robert Stewart, Jr. (Chairman)	President, Bank of the Southwest, N.A., Houston, Tex.
Jasper Allbright	President, Longview National Bank, Longview, Tex.
Dan Lacy	President, Central National Bank of Oklahoma City, Oklahoma City, Okla.
Charles E. Maedgen, Jr.	President, The Lubbock National Bank, Lubbock, Tex.
Max A. Mandel	Chairman of the Executive Committee, The Laredo National Bank, Laredo, Tex.
Jack Pilon	President, First National Bank in Brownwood, Brownwood, Tex.
Lewis H. Bond	President, The Fort Worth National Bank, Fort Worth, Tex.
Gene Edwards	President, The First National Bank of Amarillo, Amarillo, Tex.
O. W. Lamb	President, The First National Bank and Trust Company of Muskogee, Muskogee, Okla.
J. M. Rector III	President, The First National Bank of El Reno, El Reno, Okla.
Eugene Swearingen	President, National Bank of Tulsa, Tulsa, Okla.
Sam C. Tisdale, Jr.	Executive Vice President, First National Bank in Orange, Orange, Tex.

Region 12 meeting dates, November 20, 1970, and June 29, 1971.

Sherman H. Hazeltine (Chairman)	Chairman of the Board, First National Bank of Arizona, Phoenix, Ariz.
George B. McKinley	President, First National Bank in Grand Junction, Grand Junction, Colo.
Donald F. Delano	President, The Burns National Bank of Durango, Durango, Colo.
Robert U. Hansen	President, The First National Bank of Wray, Wray, Colo.
Edward H. Tatum, Jr.	Vice Chairman, The First National Bank of Santa Fe, Santa Fe, N. Mex.
A. Edward Kendig	President, First National Bank in Wheatland, Wheatland, Wyo.
Tom J. Gleason	President, First National Bank in Fort Collins, Fort Collins, Colo.
T. D. Brown	Executive Vice President, The First National Bank of Denver, Denver, Colo.
J. C. Johnson	Executive Vice President, the First National Bank of Belen, Belen, N. Mex.
Ronald S. Hanson	President, Pioneer National Bank, Logan, Utah
F. A. Rummel, Jr.	Chairman of the Board and President, The First National Bank of Rawlins, Rawlins, Wyo.
L. C. Atkins	President, First National Bank, Torrington, Wyo.

Region 13 meeting dates, September 11, 1970, and May 6, 1971.

Andrew Price, Jr. (Chairman)	Chairman of the Board, The National Bank of Commerce of Seattle, Seattle, Wash.
Thomas C. Frye	President, The Idaho First National Bank, Boise, Idaho
Adrian O. McClellan	President, The First National Bank of Great Falls, Great Falls, Mont.

R. C. Smith	President, The First National Bank of Enumclaw, Enumclaw, Wash.
T. A. Vashus	President, The First National Bank of Glendive, Glendive, Mont.
Eugene O. Gillette	President, The Conrad National Bank of Kalispell, Kalispell, Mont.
D. L. Mellish	President, National Bank of Alaska, Anchorage, Alaska
R. C. Bailey	President, Alaska National Bank of Fairbanks, Fairbanks, Alaska
W. G. Candland	Executive Vice President, Tri-State National Bank of Montpelier, Montpelier, Idaho
F. L. Servoss	President, Crater National Bank of Medford, Medford, Oreg.
LeRoy B. Staver	President, United States National Bank of Oregon, Portland, Oreg.
R. M. Doherty	President, Valley National Bank of Auburn, Auburn, Wash.

Region 14 meeting dates, November 13, 1970, and May 7, 1971.

Rayburn S. Dezember (Chairman)	Chairman of the Board and President, American National Bank, Bakersfield, Calif.
K. J. Luke	Chairman of the Board and President, Hawaii National Bank, Honolulu, Honolulu, Hawaii
Arthur M. Smith, Jr.	Chairman of the Board and President, First National Bank of Nevada, Reno, Nev.
Arthur W. Foster	President, First National Bank of Cloverdale, Cloverdale, Calif.
Howard W. Rathbun	President, First National Bank of San Jose, San Jose, Calif.
Edward L. S. Evans	President, Valley National Bank, Salinas, Calif.
Warren R. Harding	President, The First National Bank of Pleasanton, Pleasanton, Calif.
Leslie C. Peacock	President, Crocker-Citizens National Bank, San Francisco, Calif.
Martin V. Smith	Chairman of the Board and President, Commercial and Farmers National Bank, Oxnard, Calif.
Elmer Glaser	Chairman of the Board and President, West Coast National Bank, Oceanside, Calif.
Carl E. Hartnack	President, Security Pacific National Bank, Los Angeles, Calif.
Don W. Smith	President, Commercial National Bank, Buena Park, Calif.

STATISTICAL APPENDIX

TABLES

The statistical tables to this Annual Report will be published in the separate Statistical Appendix.

INDEX

A

Page

Accounts, Bureau of, administrative report ---- 101–08
Administrative management ---- 65–71
Advisory committees ---- 533–47
African Development Bank ---- 512–20
Agency for International Development ---- 59–60, 65
Air security program ---- 29–30, 84–5, 430–2
Asian Development Bank ---- 55–6, 507–9, 512–20

B

Balance of payments ---- 48–51, 491–504
Banks, status of national ---- 74–6
Bills, Treasury:
  1971 operations ---- 17–26
  Press releases ---- 164–7
  Summary, 1971 issues ---- 168–73
Bonds, U.S. Savings:
  Forgery ---- 149–50
  Issuance and redemption ---- 111–13
  Promotional activities ---- 140–3
  Regulations, revised and amended ---- 174–321
Budget:
  Accounting and reporting ---- 103
  Accrual basis concepts ---- 8
  Cash and monetary assets ---- 6–7
  Means of financing ---- 3
  Policy ---- 66–7
  Receipts, outlays, and net lending ---- 4–6
  Surplus or deficit ---- 3

C

Charts:
  Budget 1961–71 ---- 4
  Market yields, at constant maturities, 1966–71 ---- 11
  Organization of the Department of the Treasury, July 1, 1971 ---- xv
  Ownership of Federal securities, June 30, 1971 ---- 17
  Private holdings of marketable Federal securities, fiscal years 1967–71 ---- 14
Checks, Treasury:
  Claims ---- 119
  Forgery ---- 148–9
  Issued ---- 113
  Paid ---- 118–9
  Unit cost ---- 104
Circulars, Department. Nos.:
  9–70, July 30, 1970 ---- 155
  12–70, October 30, 1970 ---- 157
  2–71, January 21, 1971 ---- 159
  653, Eighth Revision, Amend. 1. Sept. 22, 1970 ---- 174
  905, Fifth Revision, Amend. 1. Sept. 22, 1970 ---- 269
  300 Third Revision, First Supp., April 7, 1971 ---- 311
  653, Eighth Revision, Amend. 2, May 20, 1971 ---- 317
  905, Fifth Revision, Amend. 2, May 20, 1971 ---- 321
  3–67, Revised, Amend. 1, May 20, 1971 ---- 321

439-865 O - 71 - 37

Page
Claims against foreign governments, payment of 106–07
Coinage legislation 137, 450–1
Coinage metal 116
Coins, production 136–7
Comptroller of the Currency, Office of the:
Administrative report 72–6
Advisory committees 540–7
Congressional testimony by Treasury officials, other that reprinted herein 379–80, 425, 524–5
Conscience fund 108
Consolidated Federal Law Enforcement Training Center, administrative report 70–1
Corporation income taxes. *See* Taxation: Income and profits taxes.
Corporations and other business-type activities of the Federal Government, review for 1971 7
Counterfeiting 30, 147–8
Currency:
Production 95
Issued and redeemed 117–8
Customs (*see also* Enforcement):
Bureau of, administrative report 77–90

D

Debt management. *See* Federal debt: Management.
Defense lending 107
Depositary services 105, 116
Deposits, withdrawals and balances in Treasurer's account 117
Director of Practice, Office of the, administrative report 90–1
Disbursing operations 104–5
Domestic Gold and Silver Operations, Office of, administrative report 91–2
Drug seizures 27, 84–5
Drugs. *See* Law enforcement developments.

E

Economic conditions:
Policy 323–41, 367–70, 459–61, 463–7
Review 375–9, 458–9, 481–6
Emergency preparedness 65–6
Enforcement activities (*see also* Investigative activities; Law Enforcement):
Customs, Bureau of 84–5
Foreign Assets Control, Office of 121
Internal Revenue Service 122–5
Engraving and Printing, Bureau of, administrative report 93–9
Environment:
Destruction of unfit paper currency 115
Tax on lead additives used in motor fuels, proposed 31, 382, 384–6
Tax treatment of pollution control facilities 31
Equal Opportunity Program, Office of, administrative report 99–101
Estate and gift taxes. *See* Taxation: Estate and gift taxes.
Exchange and stabilization agreements 47
Excise taxes. *See* Taxation: Excise taxes.
Executive Protective Service 30, 145, 444–5
Expenditures. *See* Outlays.

F

Federal credit programs 323–6, 370–5, 509–12
Federal debt (*see also* Public debt):
Advisory committees 533–7
Changes in Federal securities 11–4
Disposition of marketable Treasury securities 26
Financing operations 17–26
Government-sponsored agency debt 13

Federal debt—Continued Page
Management, 1971 review 10–26
Offering of marketable Treasury securities 24
Ownership of public debt securities 14–7
Policy 355–70
Federal tax deposit system 107, 118
Food coupon program 96
Food-for-peace program 59–60
Foreign Assets Control:
Office of, administrative report 120–1
Regulations 522–3
Foreign exchange developments and operations 44–7
Foreign indebtedness 106

G

General Agreement on Tariffs and Trade (GATT) 57
Gold:
Market 46
Production, use and control 92–3
South African 46
Stock 116
Government corporations. *See* Corporations and other business-type activities of the Federal Government.
Government losses in shipment 108
Government-wide financial management 8–10

I

Income taxes. *See* Taxation: Individual income taxes.
Indebtedness of foreign governments to the United States 106
Inter-American Development Bank 54–5, 467–77, 512–20
Interest equalization tax. *See* Taxation: Excise Taxes.
Internal revenue, collections and refunds 127–8
Internal Revenue Service (*see also* Director of Practice):
Administrative report 122–36
Advisory committees 537–40
Narcotics program 27
Taxpayer assistance 125–6
International Bank for Reconstruction and Development. *See* World Bank.
International Development Association. *See* World Bank.
International Finance Corporation. *See* World Bank.
International financial and monetary affairs 40–61, 327, 451–524
International Monetary Fund 47–8, 451–5, 521, 524
International tax matters 36–8, 134–6
INTERPOL 28
Investigative activities:
Customs, Bureau of 78–84
Internal Revenue Service 27, 133–4
U.S. Secret Service 147–50
Investments of Government accounts in public debt securities 105

J

Joint financial management improvement program 9, 102

L

Law enforcement developments 26–31, 326–7, 426–45
Legislative Reorganization Act of 1970 9, 102
Letters of credit 118

M

Mint, Bureau of, administrative report 136–9

N

Notes, U.S. Government (*See also* Currency): Page
- 1971 operations ---- 17–26
- Summary, 1971 issues ---- 162–3

Numismatic services ---- 138

O

Officers, administrative and staff of the Department of the Treasury ---- X–XIII
Orders, Department of the Treasury ---- 525–32
Organization chart of the Department of the Treasury, July 1, 1971 ---- XV
Organization for Economic Cooperation and Development ---- 38, 57–9, 486–91
Outlays:
- 1961–71 budget (chart) ---- 4
- 1970–71 by major agencies ---- 6

Overseas Private Investment Corp ---- 59–61

P

Personnel management ---- 68
Postage stamp program ---- 95
Postal Savings System, liquidation ---- 107
Protective responsibilities ---- 30–1, 146–7
Public affairs ---- 31, 86, 90, 96, 125–6
Public debt (*see also* Federal debt):
- Bureau of the, administrative report ---- 108–13
- Donations toward reduction of ---- 108
- Financing operation, summaries ---- 17–26
- Interest rate ceiling ---- 355–70
- Legislation ---- 109, 322
- Regulations, amended and revised ---- 174–321
- Statutory limit ---- 322, 355–70

R

Receipts:
- 1961–71 budget (chart) ---- 4
- Budget ---- 3–6

Reconstruction Finance Corporation (RFC) (in liquidation) ---- 107
Revenue sharing ---- 340–55

S

Secretaries, Under Secretaries, General Counsels, Assistant Secretaries, and Deputy Under Secretaries for Monetary Affairs of the Department of the Treasury: January 21, 1969–June 30, 1971 ---- IX
Silver ---- 93, 139, 445–50
Special Drawing Rights. See International Monetary Fund.
Strike forces ---- 124, 151

T

Taxation (*See also* Internal Revenue Service):
- Asset depreciation range system ---- 31–2, 395–425
- Developments 1971 ---- 31–40, 380–425
- Domestic International Sales Corp. proposal ---- 37, 328, 387–92
- Employment taxes, receipts ---- 5
- Estate and gift taxes, receipts ---- 5, 381, 386
- Excise taxes:
  - Interest equalization tax ---- 37, 491–6, 520–1
  - Receipts ---- 5
  - Recommendations and legislation ---- 32–3, 380–7
- Federal tax deposits ---- 107–8, 118
- Income and profits taxes:
  - Corporation, receipts ---- 5
  - Individual, receipts ---- 5

Taxation—Continued Page
International tax matters 36–8, 436–7
President's recommendations 31–3
Small business 34–5, 394–5
Social security and unemployment compensation 35–6
Tax Reform Act of 1969 36, 12, 326, 332
Tax treaties 37–8
Trade policy, international 56–8, 455–8, 479–81, 504–7, 509–12
Treasurer of the United States:
Account of the 6–7, 115–6
Office of the, administrative report 113–20
Securities held in custody 119
Treasury, Department of the:
Circulars, Department. *See* Circulars, Department.
Liaison Committee of the Business Council 537
Officers, administrative and staff, June 30, 1971 X–XIII
Organization and procedure orders 525–32
Organization chart, July 1, 1971 XV
Secretaries, Under Secretaries, General Counsels, Assistant Secretaries, and Deputy Under Secretaries for Monetary Affairs; January 21, 1969–June 30, 1971 IX

U

U.S. savings bonds. *See* Bonds, U.S. Savings.
U.S. Savings Bonds Division, administrative report 139–44
U.S. Secret Service, administrative report 144–51

W

World Bank 52–4, 451–5, 461–3, 509–20

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