U.S. Treasury Dept.

Press Releases

A-721

RELEASE A. M. NEWSPAPERS, Tuesday, January 5, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 8, 1959 and the other series to be dated January 7, 1960, which were offered on December 30, 1959, were opened at the Federal Reserve Banks on January 4. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 April 7, 1960 | | 182-day Treasury bills maturing July 7, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.862 | 4.502% | 97.448 a/ | 5.048% |
| Low | 98.814 | 4.692% | 97.400 | 5.143% |
| Average | 98.837 | 4.602% 1/ | 97.422 | 5.099% 1/ |

a/ Excepting three tenders totaling $250,000
5 percent of the amount of 91-day bills bid for at the low price was accepted
31 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 23,248,000 | $ 13,248,000 | $ 3,789,000 | $ 3,789,000 |
| New York | 1,474,715,000 | 786,565,000 | 576,040,000 | 261,140,000 |
| Philadelphia | 24,348,000 | 14,348,000 | 12,292,000 | 7,292,000 |
| Cleveland | 32,546,000 | 32,546,000 | 24,342,000 | 24,342,000 |
| Richmond | 14,676,000 | 14,676,000 | 2,828,000 | 2,828,000 |
| Atlanta | 30,931,000 | 30,931,000 | 5,977,000 | 5,977,000 |
| Chicago | 175,130,000 | 133,130,000 | 70,164,000 | 45,664,000 |
| St. Louis | 30,048,000 | 30,048,000 | 4,705,000 | 4,705,000 |
| Minneapolis | 12,119,000 | 12,119,000 | 3,015,000 | 3,015,000 |
| Kansas City | 42,450,000 | 42,450,000 | 8,212,000 | 8,112,000 |
| Dallas | 21,099,000 | 21,099,000 | 4,917,000 | 4,917,000 |
| San Francisco | 69,086,000 | 69,086,000 | 28,230,000 | 28,230,000 |
| TOTALS | $1,950,396,000 | $1,200,246,000 b/ | $744,511,000 | $400,011,000 |

b/ Includes $239,374,000 noncompetitive tenders accepted at the average price of 98.8
c/ Includes $57,613,000 noncompetitive tenders accepted at the average price of 97.42
1/ Average rate on a coupon issue equivalent yield basis is 4.73% for the 91-day bill and 5.32% for the 182-day bills. Interest rates on bills are quoted on the basi of bank discount, with their length in actual number of days related to a 360-da year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi annual interest payment period related to the actual number of days in the perio and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

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| Minneapolis | 12,119,000 | 12,119,000 | 3,015,000 | 3,015,000 |
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A-722

RELEASE A. M. NEWSPAPERS, Wednesday, January 6, 1960.

The Treasury Department announced last evening that tenders for an additional $2,000,000,000, or thereabouts, of the Tax Anticipation Series Treasury bills dated October 21, 1959, to mature June 22, 1960, were opened at the Federal Reserve Banks on January 5. The additional amount of bills, which were offered on December 30, 1959, will be issued on January 8 (166 days to maturity date).

The details of the additional issue are as follows:

Total applied for - $4,068,751,000
Total accepted - 2,000,137,000 (includes $352,987,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $626,000)

| | | |
|---|---|---|
| High | - 97.865 | Equivalent rate of discount approx. 4.630% per annum |
| Low | - 97.810 | " " " " " 4.749% " " |
| Average | - 97.821 | " " " " " 4.726% " " 1/ |

(8 percent of the amount bid for at the low price was accepted)

| Federal Reserve District | Total Applied for | Total Accepted |
|---|---|---|
| Boston | $ 221,178,000 | $ 114,678,000 |
| New York | 1,547,008,000 | 719,239,000 |
| Philadelphia | 206,873,000 | 108,699,000 |
| Cleveland | 428,967,000 | 186,607,000 |
| Richmond | 157,404,000 | 79,206,000 |
| Atlanta | 168,960,000 | 92,852,000 |
| Chicago | 524,303,000 | 305,297,000 |
| St. Louis | 123,188,000 | 51,561,000 |
| Minneapolis | 125,970,000 | 66,757,000 |
| Kansas City | 118,471,000 | 53,592,000 |
| Dallas | 142,005,000 | 115,705,000 |
| San Francisco | 304,424,000 | 105,944,000 |
| TOTAL | $4,068,751,000 | $2,000,137,000 |

1/ Average rate on a coupon issue equivalent yield basis is 4.91% for these bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

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Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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 this issue, until after one-thirty o'clock p.m., Eastern Standard time, Tuesday, January 12, 1960.

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. Those submitting 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 $ 400,000 ~~(9)~~ 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. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 15, 1960 ~~(10)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 15, 1960 ~~(11)~~. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which

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TREASURY DEPARTMENT
Washington

A-723

RELEASE A. M. NEWSPAPERS,
Wednesday, January 6, 1960.

The Treasury Department, by this public notice, invites tenders for $1,500,000,000, or thereabouts, of 366-day Treasury bills, for cash and in exchange for Treasury bills maturing January 15, 1960, in the amount of $2,006,171,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated January 15, 1960, and will mature January 15, 1961, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Tuesday, January 12, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and 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. (Notwithstanding the fact that these bills will run for 366 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) 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.

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

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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 this issue, until after one-thirty o'clock p.m., Eastern Standard time, Tuesday, January 12, 1960.

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. Those submitting 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 $400,000 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. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 15, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 15, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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 o interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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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.

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. Those submitting 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 for the additional bills dated October 15, 1959, ( 91 days remaining until maturity date on April 14, 1960 ) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 January 14, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 14, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

A-724

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, January 7, 1960 ~~(1)~~.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000 ~~(2)~~, or thereabouts, for cash and in exchange for Treasury bills maturing January 14, 1960 ~~(3)~~, in the amount of $ 1,601,924,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued January 14, 1960 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated October 15, 1959 ~~(8)~~, and to mature April 14, 1960 ~~(9)~~, originally issued in the amount of $ 400,316,000 ~~(10)~~, the additional and original bills to be freely interchangeable.

182 ~~(11)~~ -day bills, for $ 400,000,000 (12), or thereabouts, to be dated January 14, 1960 ~~(13)~~, and to mature July 14, 1960 ~~(14)~~.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, January 11, 1960 ~~(15)~~. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT



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A-724

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91-day bills (to maturity date) to be issued January 14, 1960, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated October 15,1959, and to mature April 14, 1960, originally issued in the amount of $ 400,316,000, the additional and original bills to be freely interchangeable.

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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.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

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TREASURY DEPARTMENT
OFFICE OF ASSISTANT TO THE SECRETARY
FOR LAW ENFORCEMENT
WASHINGTON 25, D. C.

December 24, 1959

My dear Mr. Secretary:

For personal reasons of which you are aware, I hereby regretfully tender my resignation effective January 10, 1959.

The two and a half years of service in the Treasury under your leadership have been a wonderful experience which I shall never forget. It is difficult to leave the Federal Service after almost six years in this administration and not feel some pride in having taken part in some of its many accomplishments. I leave more convinced than ever that the aggregate Treasury enforcement agencies constitute the finest enforcement organization extant. The dedication to duty of agents of our various services in pursuing their difficult, dangerous and largely unrewarded tasks, has been an inspiration to me. This dedication has produced remarkable results and augurs well for the continuing problem of coping with international organized crime which so vitally affects the welfare of our country.

You may be sure that I will always be available for such assistance as is necessary and appropriate.

Sincerely,

Myles J. Ambrose
Assistant to the Secretary
for Law Enforcement

Honorable Robert B. Anderson

Secretary of the Treasury

December 30, 1959

Dear Myles:

I am sure you realize with what sincere regret we see you leave the Treasury Department. You have performed an exceedingly valuable service under difficult circumstances and have rendered a real contribution to the Treasury enforcement agencies and to your country. I share your conviction that these agencies are the finest enforcement organization in our country. My admiration and respect for all of those engaged in this difficult task increase daily.

I hope that you will be happy in your new work; but that you will always consider yourself a part of our Treasury family and will return to visit with us whenever possible.

With warmest regards and best wishes, I am

Sincerely yours,

/s/ Robert B. Anderson
Secretary of the Treasury

Mr. Myles J. Ambrose
Assistant to the Secretary
for Law Enforcement
U. S. Treasury Department
Washington 25, D. C.

RELEASE A.M. NEWSPAPERS
Thursday, January 7, 1960

A-725

Treasury Secretary Anderson today announced "with sincere regret" the resignation of Myles J. Ambrose, Assistant to the Secretary for Law Enforcement, to be effective January 10.

Mr. Ambrose has been named Executive Director of the Waterfront Commission of New York Harbor.

Secretary Anderson, in announcing Mr. Ambrose's decision to leave the Treasury, said "You...have rendered a real contribution to the Treasury enforcement agencies and to your country." As Assistant to the Secretary, Mr. Ambrose's primary responsibility was to recommend basic program and policies for the Treasury Department's national and international law enforcement responsibilities and to coordinate the program and policies.

Mr. Ambrose recently headed an international conference of delegates of the United States and Mexico to explore means of intensifying the campaign against narcotics by the two countries

Mr. Ambrose, a native of New York City, is a graduate of New York Law School. Prior to coming to the Treasury in August, 1957, he held administrative and management positions in private industry, and served on the staff of the U. S. Attorney for the Southern District of New York.

Attached are copies of the exchange of letters between Secretary Anderson and Mr. Ambrose.

# TREASURY DEPARTMENT

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WASHINGTON, D.C.


RELEASE A.M. NEWSPAPERS
Thursday, January 7, 1960

A-725

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Attached are copies of the exchange of letters between Secretary Anderson and Mr. Ambrose.

December 30, 1959

Dear Myles:

I am sure you realize with what sincere regret we see you leave the Treasury Department. You have performed an exceedingly valuable service under difficult circumstances and have rendered a real contribution to the Treasury enforcement agencies and to your country. I share your conviction that these agencies are the finest enforcement organization in our country. My admiration and respect for all of those engaged in this difficult task increase daily.

I hope that you will be happy in your new work; but that you will always consider yourself a part of our Treasury family and will return to visit with us whenever possible.

With warmest regards and best wishes, I am

Sincerely yours,

/s/ Robert B. Anderson
Secretary of the Treasury

Mr. Myles J. Ambrose
Assistant to the Secretary
for Law Enforcement
U. S. Treasury Department
Washington 25, D. C.

December 24, 1959

My dear Mr. Secretary:

For personal reasons of which you are aware, I hereby regretfully tender my resignation effective January 10, 1959.

The two and a half years of service in the Treasury under your leadership have been a wonderful experience which I shall never forget. It is difficult to leave the Federal Service after almost six years in this administration and not feel some pride in having taken part in some of its many accomplishments. I leave more convinced than ever that the aggregate Treasury enforcement agencies constitute the finest enforcement organization extant. The dedication to duty of agents of our various services in pursuing their difficult, dangerous and largely unrewarded tasks, has been an inspiration to me. This dedication has produced remarkable results and augurs well for the continuing problem of coping with international organized crime which so vitally affects the welfare of our country.

You may be sure that I will always be available for such assistance as is necessary and appropriate.

Sincerely,

/S/ Myles J. Ambrose

Myles J. Ambrose
Assistant to the Secretary
for Law Enforcement

Honorable Robert B. Anderson

Secretary of the Treasury

18 A-726

RELEASE A. M. NEWSPAPERS, Tuesday, January 12, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 15, 1959, and the other series to be dated January 14, 1960, which were offered on January 7, were opened at the Federal Reserve Banks on January 11. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 April 14, 1960 | | 182-day Treasury bills maturing July 14, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.850 a/ | 4.549% | 97.484 | 4.977% |
| Low | 98.835 | 4.609% | 97.477 | 4.991% |
| Average | 98.840 | 4.590% 1/ | 97.478 | 4.989% 1/ |

a/ Excepting one tender of $4,000
66 percent of the amount of 91-day bills bid for at the low price was accepted
77 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 37,046,000 | $ 27,046,000 | $ 7,172,000 | $ 3,458,000 |
| New York | 1,479,293,000 | 729,843,000 | 773,492,000 | 297,957,000 |
| Philadelphia | 29,216,000 | 14,121,000 | 10,198,000 | 2,398,000 |
| Cleveland | 45,601,000 | 44,983,000 | 28,498,000 | 19,398,000 |
| Richmond | 22,959,000 | 20,959,000 | 3,506,000 | 2,988,000 |
| Atlanta | 33,219,000 | 26,245,000 | 7,406,000 | 5,704,000 |
| Chicago | 226,461,000 | 152,434,000 | 84,162,000 | 29,293,000 |
| St. Louis | 31,903,000 | 26,238,000 | 8,349,000 | 7,849,000 |
| Minneapolis | 16,039,000 | 13,939,000 | 3,735,000 | 3,272,000 |
| Kansas City | 39,641,000 | 35,181,000 | 12,865,000 | 10,675,000 |
| Dallas | 25,213,000 | 24,963,000 | 5,963,000 | 5,963,000 |
| San Francisco | 92,889,000 | 84,202,000 | 62,589,000 | 12,269,000 |
| TOTALS | $2,079,480,000 | $1,200,154,000 b/ | $1,007,935,000 | $401,224,000 c/ |

b/ Includes $286,325,000 noncompetitive tenders accepted at the average price of 98.840
c/ Includes $89,111,000 noncompetitive tenders accepted at the average price of 97.478
1/ Average rate on a coupon issue equivalent yield basis is 4.72% for the 91-day bills and 5.20% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT 19

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, January 12, 1960.

A-726

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| Low | 98.835 | 4.609% | 97.477 | 4.991% |
| Average | 98.840 | 4.590% 1/ | 97.478 | 4.989% 1/ |

a/ Excepting one tender of $4,000
66 percent of the amount of 91-day bills bid for at the low price was accepted
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TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

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| New York | 1,479,293,000 | 729,843,000 | 773,492,000 | 297,957,000 |
| Philadelphia | 29,216,000 | 14,121,000 | 10,198,000 | 2,398,000 |
| Cleveland | 45,601,000 | 44,983,000 | 28,498,000 | 19,398,000 |
| Richmond | 22,959,000 | 20,959,000 | 3,506,000 | 2,988,000 |
| Atlanta | 33,219,000 | 26,245,000 | 7,406,000 | 5,704,000 |
| Chicago | 226,461,000 | 152,434,000 | 84,162,000 | 29,293,000 |
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| TOTALS | $2,079,480,000 | $1,200,154,000b/ | $1,007,935,000 | $401,224,000c/ |

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1/ Average rate on a coupon issue equivalent yield basis is 4.72% for the 91-day bills and 5.20% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

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RELEASE A. M. NEWSPAPERS, Wednesday, January 13, 1960.

The Treasury Department announced last evening that the tenders for $1,500,000,000 or thereabouts, of 366-day Treasury bills to be dated January 15, 1960, and to mature January 15, 1961, which were offered on January 6, were opened at the Federal Reserve Banks on January 12.

The details of this issue are as follows:

Total applied for - $2,301,076,000
Total accepted - 1,500,076,000 (includes $347,716,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting 4 tenders totaling $380,000)

| | | |
|---|---|---|
| High | - 94.927 | Equivalent rate of discount approx. 4.990% per annum |
| Low | - 94.764 | " " " " " 5.150% " " |
| Average | - 94.849 | " " " " " 5.067% " " |

(71 percent of the amount bid for at the low price was accepted)

| Federal Reserve District | Total Applied for | Total Accepted |
|---|---|---|
| Boston | $ 63,139,000 | $ 30,723,000 |
| New York | 1,628,949,000 | 1,011,162,000 |
| Philadelphia | 47,002,000 | 24,932,000 |
| Cleveland | 81,371,000 | 68,821,000 |
| Richmond | 12,562,000 | 10,559,000 |
| Atlanta | 43,984,000 | 22,488,000 |
| Chicago | 234,962,000 | 172,321,000 |
| St. Louis | 22,806,000 | 17,744,000 |
| Minneapolis | 6,131,000 | 4,331,000 |
| Kansas City | 42,242,000 | 29,336,000 |
| Dallas | 10,335,000 | 10,306,000 |
| San Francisco | 107,593,000 | 97,353,000 |
| TOTAL | $2,301,076,000 | $1,500,076,000 |

1/ Average rate on a coupon issue equivalent yield basis is 5.36% for these bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Wednesday, January 13, 1960.   A-727

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# STATUTORY DEBT LIMITATION

AS OF DECEMBER 31, 1959

Washington, Jan. 12,1960

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of June 30, 1959 (P.L. 86-74 86th Congress) provides that during the period beginning on July 1, 1959 and ending June 30, 1960, the above limitation ($285,000,000,000) shall be temporarily increased by $10,000,000,000.

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

| | | | |
|---|---|---|---|
| Total face amount that may be outstanding at any one time | | | $295,000,000,000 |
| Outstanding- | | | |
| Obligations issued under Second Liberty Bond Act, as amended | | | |
| Interest-bearing: | | | |
| Treasury bills | $39,643,427,000 | | |
| Certificates of indebtedness | 19,669,293,000 | | |
| Treasury notes | 44,152,117,000 | $103,464,837,000 | |
| Bonds- | | | |
| Treasury | 84,754,198,350 | | |
| * Savings (current redemp. value) | 48,153,749,530 | | |
| Depositary | 184,494,500 | | |
| Investment series | 7,590,078,000 | 140,682,520,380 | |
| Special Funds- | | | |
| Certificates of indebtedness | 8,270,871,000 | | |
| Treasury notes | 15,178,474,000 | | |
| Treasury bonds | 20,057,110,000 | 43,506,455,000 | |
| Total interest-bearing | | 287,653,812,380 | |
| Matured, interest-ceased | | 614,799,551 | |
| Bearing no interest: | | | |
| United States Savings Stamps | 51,416,012 | | |
| Excess profits tax refund bonds | 820,683 | | |
| Special notes of the United States: | | | |
| Internat'l Monetary Fund series | 2,065,250,000 | 2,117,486,695 | |
| Total | | 290,386,098,626 | |
| Guaranteed obligations (not held by Treasury): | | | |
| Interest-bearing: | | | |
| Debentures: F.H.A. | 126,551,800 | | |
| Matured, interest-ceased | 594,200 | 127,146,000 | |
| Grand total outstanding | | | 290,513,244,626 |
| Balance face amount of obligations issuable under above authority | | | 4,486,755,374 |

Reconcilement with Statement of the Public Debt December 31, 1959
(Date)

(Daily Statement of the United States Treasury, December 31, 1959)
(Date)

| | |
|---|---|
| Outstanding- | |
| Total gross public debt | 290,797,771,717 |
| Guaranteed obligations not owned by the Treasury | 127,146,000 |
| Total gross public debt and guaranteed obligations | 290,924,917,717 |
| Deduct - other outstanding public debt obligations not subject to debt limitation | 411,673,091 |
| | 290,513,244,626 |

A-728

# STATUTORY DEBT LIMITATION
AS OF DECEMBER 31, 1959

Washington, Jan. 12,1960

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A-728

TREASURY DEPARTMENT
Washington



FOR RELEASE A. M. NEWSPAPERS
Friday, January 15, 1960

A-729

The Treasury Department today made public procedures governing the exchange of Series E and J savings bonds, and Series F savings bonds with issue dates of January 1, 1948, and thereafter, at current redemption values on a tax deferred basis, for Series H savings bonds.

The exchange offer is being made to permit holders of these bonds having a current redemption value of $500 or more to receive income on a current rather than an accumulated basis. It is pointed out, however, that owners of Series E, F and J bonds, unless they have a real need to convert them, should carefully consider making the exchange immediately since they may find, in some cases, that their interest earnings would be slightly less than if they waited until their bonds mature to make the exchange.

The exchange will be made at the current redemption value of the Series E, F and J bonds at even multiples of $500. In the event the redemption value does not equal the even multiple, the owner has the option of furnishing cash to obtain Series H bonds in the next higher $500 multiple or may receive payment for the difference.

Under the exchange offering owners may defer reporting for income tax purposes the increase in the redemption values of the Series E, F and J bonds over the amount paid for them (to the extent not previously included in gross income) until the taxable year in which the Series H bonds for which they are exchanged are finally redeemed or disposed of, or at final maturity, whichever is earlier.

A statement by the Secretary of the Treasury "To Owners of Series E, F and J Savings Bonds" outlining pertinent factors involved in the exchange, and a copy of a communication being sent to about 22,000 "Banking and Other Institutions Qualified to Pay Series A-E Savings Bonds," requesting their assistance in connection with this exchange offering, are attached.

Treasury Department Circular No. 1036, dated December 31, 1959, which is the official offering circular in connection with the exchange, may be obtained at most commercial banks or from the Federal Reserve Banks or Branches, or the Treasury Department in Washington.

W1 Y BM

# TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS
Friday, January 15, 1960

A-729

The Treasury Department today made public procedures governing the exchange of Series E and J savings bonds, and Series F savings bonds with issue dates of January 1, 1948, and thereafter, at current redemption values on a tax deferred basis, for Series H savings bonds.

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THE SECRETARY OF THE TREASURY
WASHINGTON

January 15, 1960

TO OWNERS OF SERIES E, F AND J SAVINGS BONDS

The Treasury Department has announced that, effective January 1, 1960, owners of Series E and Series J savings bonds, and Series F savings bonds with issue dates of January 1, 1948, and thereafter, may, if they wish, exchange them at current redemption values on a tax-deferred basis, for Series H bonds. The exchanges may be made without regard to the annual limitation of $10,000 of Series H bonds which may be purchased under current regulations. The bonds submitted for exchange must have a current redemption value of $500 or more to be eligible for this privilege. Circulars, application forms and instructions may be obtained at most commercial banks or from Federal Reserve Banks or Branches or the Treasury Department in Washington.

This exchange offering is being made to meet the wishes of numerous holders of Series E, F and J savings bonds who have purchased such bonds during their active working life, and who have now retired or for other reasons desire to receive current income from their savings bonds. Interest earned on Series E, F and J bonds accrues semiannually and is added to increase the current redemption values of these bonds. The interest can be collected only by redeeming the bonds. Interest is paid on Series H bonds each six months by checks to the owners.

Unless bondowners have a real need to convert their holdings of Series E, F and J bonds to Series H bonds for current income, they should carefully consider the matter before making the exchange immediately since they may find that their interest earnings would be slightly less than before. For example, Series E bonds issued from May 1, 1941, to April 1, 1942, yield more than 3-3/4% on their present redemption values from now to the end of their first extended maturity period (20 years from issue date) and it may be more advantageous to wait until their bonds mature to make the exchange. Also, Series E bonds issued after January 1, 1950, and through May 1, 1959, and which have not reached their first maturity date also earn more than 3-3/4% on their present redemption values from now to maturity and there would be some advantage in holding them until such bonds mature.

Many owners have elected to permit the interest accruals on Series E, F and J bonds to accumulate without including them as income for Federal income tax purposes. This is permissible under the income tax regulations, and the accumulated increment is thus subject to income taxes when the bonds reach final maturity, or are redeemed prior to maturity.

Prior to January 1, 1960, the only way amounts invested in Series E, F or J bonds could be transferred to a Series H bond to obtain current income was by redeeming such bonds and reinvesting the proceeds by purchasing new Series H bonds. Upon redemption of the Series E, F or J bonds the entire unreported interest became subject to Federal income taxes for the year in which the transaction occurred. This deterred many owners, who had not previously reported their interest for Federal income tax purposes, from making the transfer.

Under the current exchange privilege, however, owners can now make such a transfer without incurring liability for the payment of income taxes at the time of transfer. The unreported accumulated interest on Series E, F or J bonds is deferred for Federal income tax purposes until the Series H bonds acquired in the exchange mature, or are redeemed or otherwise disposed of prior to maturity. This will permit owners to reinvest in Series H bonds the entire amount of increment accrued on the Series E, F and J bonds exchanged, including the amount that would, under present regulations, be paid as income taxes. However, any amount paid to the owner as a cash adjustment must be treated as income for Federal income tax purposes for the year in which it is received up to an amount not in excess of the total interest on the bonds exchanged, unless such interest has been previously reported in his Federal income tax return.

There will be a legend placed on each Series H bond issued in the exchange which will show the amount of its issue price representing previously accumulated increment on Series E, F or J bonds. This amount will be required to be reported for Federal income tax purposes when the Series H bonds mature, or are redeemed or disposed of prior to maturity. This income will be subject to whatever income taxes, and at such tax rates, as the bondowner may be subject to at such time.

Series H bonds are issued in denominations of $500, $1,000, $5,000 and $10,000. They mature ten years from date of issue. Interest is paid at a rate equal to 3-3/4% per year if the bonds are held until maturity. Interest is paid by check in favor of the owner. For each $500 face amount of Series H bonds, interest is paid amounting to $11.25 for the first year, $18.00 for the second year, and $20.00 for each year thereafter until maturity. This is equivalent to a rate of return of 2-1/2% for the first year and a half and 4% for the remaining period to maturity.

Series H bonds may not be redeemed at commercial banks in the same way as Series E bonds. A Series H bond will be redeemed <u>at par</u>, in whole or in part (in the amount of an authorized denomination or multiple thereof), at the option of the owner, at any time after six months from the issue date, but only on the first day of a calendar month and upon one full calendar month's notice in writing of desire to redeem by the owner. The request for payment of the bond must be executed and certified in accordance with the provisions of the applicable regulations. The presentation of the bond (with the request for payment duly executed) will be accepted as notice. Payment will be made when due following presentation of the bond to (1) a Federal Reserve Bank or Branch, (2) the Bureau of the Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago 5, Illinois, or (3) the Treasurer of the United States, Washington 25, D. C. Formal notice to be effective must be timely received by one of the above agencies and the bond must be presented to the same agency not less than twenty days before the redemption date fixed by the notice.

Robert B. Anderson
Secretary of the Treasury

THE SECRETARY OF THE TREASURY
WASHINGTON

January 15, 1960

TO BANKING AND OTHER INSTITUTIONS QUALIFIED TO PAY SERIES A-E SAVINGS BONDS

The Treasury Department has announced that, effective January 1, 1960, the holders of Series E and J savings bonds and certain Series F bonds would be able to exchange them at current redemption values on a tax-deferred basis, for Series H savings bonds. The bonds which may be exchanged include all Series E and J bonds and all bonds of Series F with issue dates of January 1, 1948, and thereafter, provided those F bonds are presented for exchange no later than six months after the month in which they mature. The exchanges may be made without regard to the annual limitation of $10,000 of Series H bonds which may be purchased under current regulations.

Under this exchange, owners who elect to do so will have the privilege of treating the increase in redemption value (to the extent not previously included in gross income) in excess of the amount paid for the E, F and J bonds, includable in gross income in the taxable year in which the H bonds are redeemed or disposed of or in the taxable year of final maturity, whichever is earlier.

Department regulations relating to the exchange offering, the subscription form and related information are being furnished to you by the Federal Reserve Bank of your district.

The Treasury Department is making this exchange offering available in response to a considerable number of inquiries from the public, particularly the holders of E bonds, and in accordance with authority contained in Public Law 86-346, approved September 22, 1959. Many of the holders have reached the point where they must give serious consideration to redeeming their savings bonds, in order to supplement their current income, but they are reluctant to take that action because to do so would involve the payment of Federal income tax on a substantial amount of accumulated income. The special notice to bondowners, which accompanies the application form, calls attention to matters that they should consider carefully before making an exchange.

Treasury regulations governing the payment of savings bonds by banks and other financial institutions have been amended to permit qualified paying agents to accept subscriptions from bondholders wishing to participate in this exchange offering. Under procedures being worked out between the Treasury and the Federal Reserve Banks, paying agents willing to render such assistance will (1) receive such subscriptions from individual bondholders; (2) see that the prescribed subscription form only is used and properly completed; (3) make payment of the E, F or J bonds, stamp them "paid" and send the bonds of each series to the Federal Reserve Bank under separate transmittal letters in the same manner as paid Series A-E savings bonds; (4) settle with the bondholder for any odd amounts of cash involved in the transaction; and (5) send to the Federal Reserve Bank the subscription form and a remittance for the amount of the Series H bonds subscribed for.

Only the Federal Reserve Banks and the Treasurer of the United States will issue the Series H bonds.

Any paying agent having a Treasury Tax and Loan Account will be permitted to credit that account with the face amount of all Series H bonds to be issued on subscriptions accepted and processed by the agent.

Agents will be reimbursed for their services in paying the Series E, F and J bonds tendered in exchange at the same rates per bond for which payment is now made to them for paying Series A-E savings bonds. The amount payable to an agent will be determined by aggregating the number of A-E bonds paid as regular redemptions and the number of E, F and J bonds paid as exchange redemptions during each quarterly period. One check covering the fee due for the full range of services will be sent to the agent in the usual manner.

It will not be necessary to have any special agreements signed by the paying agents in order for them to process the exchange subscriptions and to be reimbursed for paying the Series E, F and J bonds exchanged. The fact that they send to the Federal Reserve Banks transmittal letters with E, F and J bonds paid in connection with the exchange will be notice that such agents have accepted the Treasury's offer to them to pay such bonds on a reimbursable basis.

The Treasury Department will greatly appreciate the assistance of all qualified paying agents in connection with this exchange offering.

Robert B. Anderson

Secretary of the Treasury

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated October 22, 1959 , ( 91 days remaining until maturity date on April 21, 1960 ) and noncompetitive tenders for $ 100,000 or less for the 182 -day bills 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 January 21, 1960 , in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 21, 1960 . 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

A-730

RELEASE A. M. NEWSPAPERS,
Thursday, January 14, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,400,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing January 21, 1960 , in the amount of $ 1,400,400,000 , as follows:

91 -day bills (to maturity date) to be issued January 21, 1960 , in the amount of $ 1,000,000,000 , or thereabouts, representing an additional amount of bills dated October 22, 1959 , and to mature April 21, 1960 , originally issued in the amount of $ 400,123,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 400,000,000 , or thereabouts, to be dated January 21, 1960 , and to mature July 21, 1960 .

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, January 18, 1960 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT



WASHINGTON, D.C.

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Thursday, January 14, 1960.

A-730

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated October 22,1959, ( 91 days remaining until maturity date on April 21, 1960) and noncompetitive tenders for $ 100,000 or less for the 182-day bills 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 January 21, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 21, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Dec. 31, 1959 |
|---|---|---|---|---|
| **Absolute Quotas:** | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 454,409 |
| Rye, rye flour, and rye meal...... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,219 |
| | Other Countries | 1,547,995 | Pound | |
| Butter substitutes, including butter oil, containing 45% or more butterfat.................. | Calendar Year | 1,200,000 | Pound | Quota Filled |
| Tung Oil......................... | Nov. 1, 1959 - Jan. 31, 1960 | | | |
| | Argentina | 5,525,000 | Pound | 3,342,229 |
| | Paraguay | 741,000 | Pound | Quota Filled |
| | Other Countries | 234,000 | Pound | Quota Filled |

*Imports through January 12, 1960

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-731

The Bureau of Customs announced today preliminary figures showing the imports for consumption of the commodities listed below within quota limitations from the beginning of the quota periods to December 31, 1959, inclusive, as follows:

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Dec. 31, 19 |
|---|---|---|---|---|
| **Tariff-Rate Quotas:** | | | | |
| Cream, fresh or sour......... | Calendar Year | 1,500,000 | Gallon | 422 |
| Whole milk, fresh or sour.... | Calendar Year | 3,000,000 | Gallon | 216 |
| Cattle, 700 lbs. or more each (other than dairy cows)..... | Oct. 1, 1959 - December 31, 1959 | 120,000 | Head | 14,382 |
| Cattle, less than 200 lbs. each | 12 mos. from April 1, 1959 | 200,000 | Head | 31,219 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.... | Calendar Year | 36,919,874 | Pound | Quota Filled |
| Tuna fish.................... | Calendar Year | 52,372,574 | Pound | Quota Filled |
| White or Irish potatoes: | | | | |
| Certified seed.............. | 12 mos. from | 114,000,000 | Pound | 35,129,475 |
| Other....................... | Sept. 15, 1959 | 36,000,000 | Pound | 1,758,363 |
| Walnuts...................... | Calendar Year | 5,000,000 | Pound | 3,335,422 |
| Peanut oil................... | 12 mos. from July 1, 1959 | 80,000,000 | Pound | |
| Woolen fabrics............... | Calendar Year | 13,500,000 | Pound | Quota Filled |
| Woolen fabrics - Pres. Proc. 3285 and 3317 (T. Ds. 54845 and 54955).... | May 19 - Dec. 31, 1959 | 350,000 | Pound | 311,423 |
| Stainless steel table flatware (table knives, table forks, table spoons)............... | Nov. 1, 1959 - Oct. 31, 1960 | 69,000,000 | Pieces | 15,136,392 |

TREASURY DEPARTMENT
Washington, D. C.

MEDIATE RELEASE
RIDAY, JANUARY 15,1960.

A-731

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(over)

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Dec. 31, 195[illegible] |
|---|---|---|---|---|
| Absolute Quotas: | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 454,40[illegible] |
| Rye, rye flour, and rye meal...... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,21[illegible] |
| | Other Countries | 1,547,995 | Pound | |
| Butter substitutes, including butter oil, containing 45% or more butterfat................. | Calendar Year | 1,200,000 | Pound | Quota Filled |
| Tung Oil...................... | Nov. 1, 1959 - Jan. 31, 1960 | | | |
| | Argentina | 5,525,000 | Pound | 3,342,22[illegible] |
| | Paraguay | 741,000 | Pound | Quota Filled |
| | Other Countries | 234,000 | Pound | Quota Filled |

*Imports through January 12, 1960

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-732

35

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - October 1, 1959 - December 31, 1959

IMPORTS - October 1, 1959 - December 31, 1959

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes | | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Zinc (Pounds) | Imports | Quarterly Quota By Weight (Pounds) | Imports |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,680,000 | - | - | - | - |
| Belgian Congo | - | - | - | - | - | - | 5,440,000 | 5,440,000 |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 391,164 |
| Bolivia | 5,040,000 | 5,040,000 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 15,920,000 | 66,480,000 | 66,480,000 | 37,840,000 | 37,840,000 |
| Italy | - | - | - | - | - | - | 3,600,000 | 3,600,000 |
| Mexico | - | - | 36,880,000 | 36,880,000 | 70,480,000 | 70,480,000 | 6,320,000 | 930,100 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 12,880,000 | 35,120,000 | 35,120,000 | 3,760,000 | 3,760,000 |
| Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | 15,760,000 | - | - | - | - |
| All other foreign countries (total) | 6,560,000 | 3,489,426 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-732

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - October 1, 1959 - December 31, 1959

IMPORTS - October 1, 1959 - December 31, 1959

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes: Quarterly Quota Dutiable Lead (Pounds) | ITEM 391: Imports (Pounds) | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.: Quarterly Quota Dutiable Lead (Pounds) | ITEM 392: Imports (Pounds) | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc: Quarterly Quota Dutiable Zinc (Pounds) | ITEM 393: Imports (Pounds) | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings: Quarterly Quota By Weight (Pounds) | ITEM 394: Imports (Pounds) |
|---|---|---|---|---|---|---|---|---|
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,680,000 | - | - | - | - |
| Belgian Congo | - | - | - | - | - | - | 5,440,000 | 5,440,000 |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 391,164 |
| Bolivia | 5,040,000 | 5,040,000 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 15,920,000 | 66,480,000 | 66,480,000 | 37,840,000 | 37,840,000 |
| Italy | - | - | - | - | - | - | 3,600,000 | 3,600,000 |
| Mexico | - | - | 36,880,000 | 36,880,000 | 70,480,000 | 70,480,000 | 6,320,000 | 930,100 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 12,880,000 | 35,120,000 | 35,120,000 | 3,760,000 | 3,760,000 |
| Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | 15,760,000 | - | - | - | - |
| All other foreign countries (total) | 6,560,000 | 3,489,426 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

PREPARED IN THE BUREAU OF CUSTOMS

37

TREASURY DEPARTMENT
WASHINGTON

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960. A-733

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1959, to December 31, 1959, inclusive, of commodities for which quotas were established pursuant to the Philippine Trade Agreement Revision Act of 1955:

| Commodity | Established Annual Quota Quantity | Unit of Quantity | Imports as of December 31, 1959 |
|---|---|---|---|
| Buttons............ | 765,000 | Gross | 323,572 |
| Cigars............. | 180,000,000 | Number | 4,947,189 |
| Coconut Oil........ | 403,200,000 | Pound | 155,582,449 |
| Cordage............ | 6,000,000 | Pound | 4,920,243 |
| Sugars (Refined..... | 1,904,000,000 | Pound | 63,404,000* |
| Sugars (Unrefined... | | | 1,840,596,000* |
| Tobacco............ | 5,850,000 | Pound | 5,830,864 |

*Information furnished by Department of Agriculture

TREASURY DEPARTMENT
WASHINGTON

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-733

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1959, to December 31, 1959, inclusive, of commodities for which quotas were established pursuant to the Philippine Trade Agreement Revision Act of 1955:

| Commodity | Established Annual Quota Quantity | Unit of Quantity | Imports as of December 31, 1959 |
|---|---|---|---|
| Buttons............ | 765,000 | Gross | 323,572 |
| Cigars............. | 180,000,000 | Number | 4,947,189 |
| Coconut Oil........ | 403,200,000 | Pound | 155,582,449 |
| Cordage............ | 6,000,000 | Pound | 4,920,243 |
| Sugars (Refined..... | 1,904,000,000 | Pound | 63,404,000* |
| Sugars (Unrefined... | | | 1,840,596,000* |
| Tobacco............ | 5,850,000 | Pound | 5,830,864 |

*Information furnished by Department of Agriculture

TREASURY DEPARTMENT
Washington, D. C.

39

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-734

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - January 1, 1960 - March 31, 1960

IMPORTS - January 1, 1960 - January 13, 1960

| Country of Production | ITEM 391: Lead-bearing ores, flue dust, and mattes | | ITEM 392: Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393: Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394: Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Zinc (Pounds) | Imports | Quarterly Quota By Weight (Pounds) | Imports |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 4,134,030 | - | - | - | - |
| Belgian Congo | - | - | - | - | - | - | 5,440,000 | 1,054 |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 663,007 |
| Bolivia | 5,040,000 | 1,698,322 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 984,557 | 66,480,000 | 44,210,104 | 37,840,000 | 6,354,092 |
| Italy | - | - | - | - | - | - | 3,600,000 | 3,004,969 |
| Mexico | - | - | 36,880,000 | 4,085,176 | 70,480,000 | 10,594,027 | 6,320,000 | 107,526 |
| Peru | 16,160,000 | 3,156,709 | 12,880,000 | 1,527,494 | 35,120,000 | 4,713,081 | 3,760,000 | 601,376 |
| Un. So. Africa | 14,880,000 | 8,949,404 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | 707,185 | - | - | - | - |
| All other foreign countries (total) | 6,560,000 | 718,972 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,652,393 |

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-734

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - January 1, 1960 - March 31, 1960

IMPORTS - January 1, 1960 - January 13, 1960

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes | | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead | Imports | Quarterly Quota Dutiable Lead | Imports | Quarterly Quota Dutiable Zinc | Imports | Quarterly Quota By Weight | Imports |
| | (Pounds) | | (Pounds) | | (Pounds) | | (Pounds) | |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 4,134,030 | - | - | - | - |
| Belgian Congo | - | - | - | - | - | - | 5,440,000 | 1,054 |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 663,007 |
| Bolivia | 5,040,000 | 1,698,322 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 984,557 | 66,480,000 | 44,210,104 | 37,840,000 | 6,354,092 |
| Italy | - | - | - | - | - | - | 3,600,000 | 3,004,969 |
| Mexico | - | - | 36,880,000 | 4,085,176 | 70,480,000 | 10,594,027 | 6,320,000 | 107,526 |
| Peru | 16,160,000 | 3,156,709 | 12,880,000 | 1,527,494 | 35,120,000 | 4,713,081 | 3,760,000 | 601,376 |
| Un. So. Africa | 14,880,000 | 8,949,404 | - | - | - | - | - | - |
| Yugoslovia | - | - | 15,760,000 | 707,185 | - | - | - | - |
| All other foreign countries (total) | 6,560,000 | 718,972 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,652,393 |

## COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to January 12, 1960 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1959 to January 12, 1960 |
|---|---|---|---|---|
| United Kingdom | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada | 239,690 | 239,690 | - | - |
| France | 227,420 | 53,820 | 75,807 | 53,820 |
| British India | 69,627 | - | - | - |
| Netherlands | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland | 44,388 | - | 14,796 | - |
| Belgium | 38,559 | - | 12,853 | - |
| Japan | 341,535 | - | - | - |
| China | 17,322 | - | - | - |
| Egypt | 8,135 | - | - | - |
| Cuba | 6,544 | - | - | - |
| Germany | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,052,848 | 1,599,886 | 1,544,891 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.



IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-735

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - January 12, 1960

| Country of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - | Honduras .............. | 752 | 752 |
| Peru .................... | 247,952 | - | Paraguay .............. | 871 | - |
| British India ........... | 2,003,483 | - | Colombia .............. | 124 | 124 |
| China ................... | 1,370,791 | - | Iraq .................. | 195 | - |
| Mexico .................. | 8,883,259 | 8,883,259 | British East Africa ... | 2,240 | - |
| Brazil .................. | 618,723 | 618,000 | Netherlands E. Indies . | 71,388 | - |
| Union of Soviet Socialist Republics ... | 475,124 | - | Barbados .............. | - | - |
| Argentina ............... | 5,203 | - | 1/Other British W. Indies | 21,321 | - |
| Haiti ................... | 237 | - | Nigeria ............... | 5,377 | - |
| Ecuador ................. | 9,333 | - | 2/Other British W. Africa | 16,004 | - |
| | | | 3/Other French Africa ... | 689 | - |
| | | | Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - January 12, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1960.

A-735

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - January 12, 1960

| Country of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - | Honduras .............. | 752 | 752 |
| Peru .................... | 247,952 | - | Paraguay .............. | 871 | - |
| British India ........... | 2,003,483 | - | Colombia .............. | 124 | 124 |
| China ................... | 1,370,791 | - | Iraq .................. | 195 | - |
| Mexico .................. | 8,883,259 | 8,883,259 | British East Africa ... | 2,240 | - |
| Brazil .................. | 618,723 | 618,000 | Netherlands E. Indies . | 71,388 | - |
| Union of Soviet Socialist Republics ... | 475,124 | - | Barbados .............. | - | - |
| Argentina ............... | 5,203 | - | 1/Other British W. Indies | 21,321 | - |
| Haiti ................... | 237 | - | Nigeria ............... | 5,377 | - |
| Ecuador ................. | 9,333 | - | 2/Other British W. Africa | 16,004 | - |
| | | | 3/Other French Africa ... | 689 | - |
| | | | Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - January 12, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

## COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to January 12, 1960 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1959 to January 12, 1960 |
|---|---|---|---|---|
| United Kingdom | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada | 239,690 | 239,690 | - | - |
| France | 227,420 | 53,820 | 75,807 | 53,820 |
| British India | 69,627 | - | - | - |
| Netherlands | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland | 44,388 | - | 14,796 | - |
| Belgium | 38,559 | - | 12,853 | - |
| Japan | 341,535 | - | - | - |
| China | 17,322 | - | - | - |
| Egypt | 8,135 | - | - | - |
| Cuba | 6,544 | - | - | - |
| Germany | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,052,848 | 1,599,886 | 1,544,891 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

January 7, 1960

MEMORANDUM TO MR. MARTIN L. MOORE:

The following transactions were made in direct and guaranteed securities of the Government for Treasury investments and other accounts during the month of December 1959:

| | |
|---|---|
| Purchases ........................................ | $113,144,500.00 |
| Sales ................................................ | 41,500.00 |
| NET PURCHASES .... | 113,103,000.00 |

# TREASURY DEPARTMENT

WASHINGTON, D.C.

A-736

~~A-705~~

IMMEDIATE RELEASE,
~~Tuesday, December 15, 1959.~~
Friday, January 15, 1960

During ~~November~~ December 1959, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of ~~$71,596,000~~ $113,103,000.

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# TREASURY DEPARTMENT

46

WASHINGTON, D.C.

IMMEDIATE RELEASE
Friday, January 15, 1960.          A-736

During December 1959, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of $113,103,000.

oOo

In prosperous periods, on the other hand, tax receipts automatically rise and certain types of spending contract. If our fiscal affairs are in order this should produce a surplus. Over the period of a complete business cycle, a net surplus for debt retirement should be achieved. Conditions may well arise when intentional variations in spending or tax rates for cyclical purposes may be desirable. But I believe that experience in recent years has shown us that we should move very cautiously in undertaking such variations, the full impact of which is apt to occur during the succeeding phase of the business cycle.

We have before us the greatest opportunity in history. Our economy is vigorous and growing, our expansion many sided. Our friends and allies among the industrial nations stand with us in their desire and determination to maintain their own strength and help others advance in freedom. With prudent management of our affairs, both public and private, and in the absence of any major change in the international outlook, the decade we are entering should be one of the most prosperous and fruitful in our experience.

oOo

Only with a sound economy and sound money can the necessary and desirable programs of the government -- be they military security, general services to the public, or mutual assistance to our allies -- long be sustained for the enduring benefit of all Americans.

Strength in the economic sphere means that our major policy goal must be sustainable economic growth -- not spurts of activity under forced draft, followed by wasteful declines.

For sustained growth, a policy of fiscal responsibility is a primary requirement. It is the basis of a dollar which commands confidence both at home and abroad. Economic growth in the future depends heavily on a high rate of saving and capital formation today. Our rate of growth will be small indeed if fear of inflation is allowed to impair the will to save in traditional fixed dollar forms. Inflation, either creeping or rapid, is the enemy of growth.

The program for 1961, incorporating a budget surplus of $4.2 billion, rests on a policy of fiscal responsibility. To maintain full confidence in the ability of the Government to manage its affairs wisely, the surplus must be used to the fullest extent possible in reducing outstanding debt. As the President has said, we cannot properly speak of a surplus as long as the Nation is in debt. Debt repayments must be established as normal practices in prosperous periods before we can profitably make improvements in our tax structure of the type which would truly reduce the heavy burdens of taxation.

Financial responsibility also requires efficiency in management of our $290 billion public debt. Until the artificial 4-1/4 percent ceiling on new long-term bond issues is removed by Congress, the Treasury will be unable to manage the debt in the least inflationary manner. The President has emphasized in his first special message of this year that removal of the ceiling has high priority in his legislative program.

On this same occasion last year I commented on the rapidly changing public attitudes toward Government intervention in the economic process. An exaggerated view of the ups and downs in our economy had been reflected during the previous 18 months or so in exaggerated demands for Government action -- first to restrain expenditures, and then to promote recovery. Still later public attention shifted to the possibilities of hedging against a future inflation. I believe we have sufficient evidence now to recognize more clearly than a year ago that intentional variations in tax rates or spending programs for cyclical purposes must be kept to a minimum.

Our particular system of revenues is already quite responsive to changes in the level of business activity. During a recession, revenues go down but expenditures do not, and some tend to rise. From these so-called built-in stabilizers a moderate deficit may result.

During the first half of 1960 we expect that the growth of the economy will be augmented by additional production which had been postponed because of shortages during the steel strike. For the remaining months underlying this budget, we anticipate gains in incomes consistent with a sustainable rate of growth in the economy.

We are now estimating receipts in the current fiscal year at $78.6 billion. This is an increase of $10.3 billion over actual receipts in fiscal year 1959. This unusually large increase reflects the sharp recovery in 1959 incomes, particularly in corporate profits, from the recession levels of 1958.

Typically profits rise sharply in the early part of a recovery period and more moderately thereafter. It now appears that corporate profits will be $48 billion in calendar year 1959, $11 billion above 1958. We anticipate a moderate rise to $51 billion in the calendar year 1960.

Receipts in fiscal 1961 are estimated to rise $5.4 billion, totaling $84.0 billion for the year. This is a substantial rise but only about half as much as in 1960, principally because of the marked difference in the rate of increases in corporate profits.

The revenue estimate for fiscal 1961 is based on a continuance of the present tax rates on corporation profits and certain excise taxes for another year beyond their present expiration date of June 30, 1960. Failure to do this would result in revenue losses of $2.7 billion for the fiscal year 1961 and over $4 billion annually thereafter.

On the matter of the budget in general, I would like particularly to emphasize the President's statement that achievement of our plans will, in the last analysis, depend on the people themselves. We are living in a rapidly changing world. Our decisions as a free people must be adapted to current realities.

What are these current realities?

Let me make one of these realities crystal clear. A government can do none of the things which are necessary and desirable for a sustained period unless it is supported by a sound economy based on sound money. Governments and individuals are alike in this. Neither should undertake what may look like exceedingly desirable actions if by so doing the soundness of the nation's economic health, or the individual's financial health is undermined.

TREASURY DEPARTMENT
Washington

FOR RELEASE AT 12 NOON, EST,
MONDAY, JANUARY 18, 1960.

A-737

STATEMENT BY TREASURY SECRETARY ANDERSON AT BUDGET PRESS CONFERENCE, ROOM 4121, MAIN TREASURY, 11:00 A.M., SATURDAY, JANUARY 16, 1960.

Since the Director of the Budget has discussed the expenditures side of the budget with you, I shall devote my remarks very largely to the revenue estimates.

For the current fiscal year, 1960, net budget receipts are estimated to amount to $78.6 billion. This is $10.3 billion greater than actual revenues of the preceding year and substantially higher than the amount realized in any past year. A further rise of $5.4 billion to $84.0 billion is estimated for the fiscal year 1961.

These revenue estimates reflect our belief that our economy will continue to move forward with strength and that substantial gains in employment and incomes will be achieved.

In preparing the revenue estimates, it is necessary to make specific assumptions for the economic outlook for the next year and a half. These assumptions, in terms of the most important economic aggregates, are:

| | Calendar year 1959 | Calendar year 1960 |
|---|---|---|
| | (In billions of dollars) | |
| Gross national product....... | 480 | 510 |
| Personal income ............. | 380 | 402 |
| Corporate profits ........... | 48 | 51 |

These assumptions express our best judgment and we believe they represent a realistic appraisal of the current outlook.

In the last 18 months we have seen a marked recovery from the 1957-58 recession levels. Substantial gains were made in production and incomes in the second half of the calendar year 1958 and in the first half of 1959, to some extent amplified by expansion in anticipation of the steel strike. This progress was interrupted by the prolonged strike in the second half of the year.

TREASURY DEPARTMENT
Washington

FOR RELEASE AT 12 NOON, EST,
MONDAY, JANUARY 18, 1960.

A-737

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Only with a sound economy and sound money can the necessary and desirable programs of the government -- be they military security, general services to the public, or mutual assistance to our allies -- long be sustained for the enduring benefit of all Americans.

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The program for 1961, incorporating a budget surplus of $4.2 billion, rests on a policy of fiscal responsibility. To maintain full confidence in the ability of the Government to manage its affairs wisely, the surplus must be used to the fullest extent possible in reducing outstanding debt. As the President has said, we cannot properly speak of a surplus as long as the Nation is in debt. Debt repayments must be established as normal practices in prosperous periods before we can profitably make improvements in our tax structure of the type which would truly reduce the heavy burdens of taxation.

Financial responsibility also requires efficiency in management of our $290 billion public debt. Until the artificial 4-1/4 percent ceiling on new long-term bond issues is removed by Congress, the Treasury will be unable to manage the debt in the least inflationary manner. The President has emphasized in his first special message of this year that removal of the ceiling has high priority in his legislative program.

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In prosperous periods, on the other hand, tax receipts automatically rise and certain types of spending contract. If our fiscal affairs are in order this should produce a surplus. Over the period of a complete business cycle, a net surplus for debt retirement should be achieved. Conditions may well arise when intentional variations in spending or tax rates for cyclical purposes may be desirable. But I believe that experience in recent years has shown us that we should move very cautiously in undertaking such variations, the full impact of which is apt to occur during the succeeding phase of the business cycle.

We have before us the greatest opportunity in history. Our economy is vigorous and growing, our expansion many sided. Our friends and allies among the industrial nations stand with us in their desire and determination to maintain their own strength and help others advance in freedom. With prudent management of our affairs, both public and private, and in the absence of any major change in the international outlook, the decade we are entering should be one of the most prosperous and fruitful in our experience.

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TREASURY DEPARTMENT
Washington

REMARKS BY FRED C. SCRIBNER, JR., UNDER SECRETARY OF THE TREASURY, BEFORE THE NATIONAL ASSOCIATION OF HOME BUILDERS, CONRAD-HILTON HOTEL, CHICAGO, ILLINOIS, TUESDAY, JANUARY 19, 1960, 10:00 A.M., CST.

It is a privilege to speak to your organization, which has as its primary purpose the promotion of healthy growth in an industry so essential to our American standard of living. I know of nothing more important in our lives than the satisfactions we derive from our homes and all that is associated with them.

Your organization has played a significant role in making America a nation of home owners. You have been instrumental in bringing improved methods of construction and merchandising to the attention of builders generally, and have worked steadily to give the buyer a better and more efficient home for his money.

Yet your industry has had to operate at times under most difficult conditions. Activity in residential construction has been subject to unusually wide cyclical swings, and it has been strongly affected by variations in the supply of investment funds.

We in the Treasury Department, concerned with the broad field of the national economy, likewise have a primary interest in promoting strong and healthy economic growth. Like you, we have had our problems.

When the nation this month entered the new year it also entered an important new decade -- one that is widely expected to be a decade of phenomenal national growth.

In this decade the residential construction industry may be expected to play a part close to the center of the stage, since an unusually rapid growth in new family formation as well as in total population, is the main premise on which the high hopes of the "golden sixties" are founded.

Census Bureau projections of our population by age groups indicate a dramatic upsurge of new families -- and consequently in the prospective demand for new homes.

The extent to which we will be able to convert into reality the opportunities offered in this decade may well depend on our economic discipline over these next few years.

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To meet fully the opportunities that will be offered by this decade, we must first be sure that the economy is maintained on a sound and firm foundation. In addition, we must be prepared to meet the new financial requirements which that period will bring.

Of primary importance will be the need for a large supply of investment funds. New capital will be urgently needed for investment in new plants and equipment to make jobs for the rapidly growing labor force, and to provide an enlarged supply of consumer goods for our expanding markets. It will be needed by cities and states to provide facilities for their growing populations. It will be needed to provide mortgage funds for what is expected to be the greatest residential construction boom we have ever known.

On January 8th the Federal debt was $292.6 billion, the heaviest in history. This sum is more than one-fifth of all the money spent by the Federal Government since this country came into existence in 1789. For the fiscal year which ended last June, the Federal Government operated with a deficit of $12-1/2 billion -- the largest peacetime deficit in any single year. The interest cost of the Federal debt for the current fiscal year is estimated at $9-1/4 billion. These are chilling figures.

Of even greater significance, in my opinion, is the growth, at an ever-increasing rate, of the indebtedness of state and local governments. Combined budgets of these governments have risen billions of dollars in each of the last several years. So have their deficits -- from $2-1/2 billion in 1957 to $4-1/2 billion in 1958, and an estimated $5 billion in the fiscal year which ended last June. Both in dollars and percentagewise, the indebtedness of state and local governments has increased much more in the last decade than the Federal debt. The state and local governmental debt outstanding at the end of fiscal 1949 was $21 billion. At the end of fiscal 1959 -- just ten years later -- it was $62 billion. It has nearly tripled in ten years. In the same period of time the Federal debt increased $32 billion -- a significant sum but substantially less than the total increase in state and local governmental indebtedness.

The tax load in this country, already at an all-time high, is shooting up at a record peacetime rate. The total tax bill -- Federal, State and local governments -- for the year started last July 1st will probably go up more than $13 billion, to a total of around $113 billion. And these totals do not include Federal gasoline and payroll taxes trusteed to pay for the Federal Highway and the Social Security programs.

This year's increase in the combined tax take of Federal, State, and local governments will average about $70 per capita -- a 10 percent increase over last year. The tax bill paid by the American people has doubled in the last decade. During the same period, the bill per head, counting every man, woman and child, has gone from about $337 to $630. Taxes now amount to about 26 percent of the total national income.

I am sure that none of us minimizes the grave significance of these debt and tax figures. We cannot too frequently call them to the attention of the American people. At every level of government we have been living beyond our income. How much further must we plunge into debt before we read correctly the warning signals which fly today?

However, I do not participate in this program with a sense of discouragement. The outlook for the economy of the United States is good. The strong inflationary pressures of last year have been checked. The purchasing power of the dollar has declined during the past year, but the decline has been slight. World markets are expanding and give an opportunity for increased export trade.

Although it was said that it couldn't be done, the President submitted to the Congress a balanced budget for the fiscal year 1960. He led such a vigorous fight for its adoption that the President could report in the State of the Union message that the 1960 budget, in spite of the steel strike, is still in balance. Far more important, the President disclosed that the 1961 budget will not only be in balance, but will contain a surplus of $4.2 billion, the largest surplus of his Administration.

The case for a balanced budget was taken directly to the people of this country. I believe they are now coming to realize that the United States cannot continue indefinitely to live beyond its income and still have the internal strengths necessary to fight effectively the external challenges which we face on both military and economic fronts.

Weakening our economy will play into the hands of those who threaten our way of life just as surely as weakening our military position.

I am sure you will agree that the spending record of the first session of the 86th Congress has been quite different from that which was predicted when the Congress convened in January of last year. The record has been different because,more and more, the people of this country have responded to sound fiscal leadership which believes that there is nothing more important to work for and stand for and fight for than fiscal soundness.

Let me make it very clear that there has been no striving for a balanced budget simply for the sake of achieving balance. A balanced budget is an important and an understandable symbol of sound fiscal policy and of good government. Its primary purpose is to safeguard the savings and the purchasing power of the dollars of every American.

A balanced budget works for a growing economy. It works against inflation. It inspires confidence. It is one thing we can strive for to assure economic growth and expansion.

If we are to continue to carry for an indefinite time the heavy burdens on the military and civilian fronts which the cold war makes essential, we must have an economy which will grow, which will be dynamic. We need informed businessmen, workers, savers, and investors who know how best to contribute to economic growth. We need people who understand that there is no substitute for hard work, careful planning and true saving. We will grow as a country only if we produce more than we consume and use our surplus to provide new sources of production. With assurance that the value of their dollars will be protected, people will be willing to work harder, save more, and invest more. Our economy will grow only if we have the savings needed for investment capital.

New capital can come from only one source: from actual saving -- from the funds which we as a people set aside out of our earnings and refrain from spending. There is no other acceptable source for new capital.

Saving is not easy. It requires that people deliberately put aside some of their earnings. It requires that corporations follow a deliberate policy of setting aside earnings for capital account.

The large saving effort that will be called for to meet the new capital requirements of this decade needs the assistance of an environment conducive to saving. This means that the threat of inflation must be removed, so that people may have full confidence that a sound dollar will be maintained.

A balanced budget is only the beginning. The public debt must be reduced. If in bad times we allow ourselves to run a deficit in order to stimulate recovery, we must pay off that debt in good times. Otherwise, we shall engage in periodic increases in the public debt without offsetting reductions.

If we are realistic we know that we will not achieve debt reduction unless we can find support for a program calling for the reduction of expenditures on the Federal level. Here each of you can make a contribution. It is easy indeed to suggest that public expenditures dear to someone else's heart should be reduced or eliminated. We need far more than that. Every one of us must be prepared to accept and even to request limitation of those expenditures in which he has an individual special interest. Holding down Government expenditures means to hold down everybody's expenditures. When everybody accepts that principle for a fact, then we will have established fiscal discipline and the budget will be under control.

From the point of view of the Treasury Department, the most important piece of business which Congress left unfinished upon adjournment was granting to the Treasury the additional statutory authority necessary to manage, without adding to inflationary pressures, our record Federal debt.

In order effectively to do its job in handling the public debt, and that means not only providing the funds to pay the government's bills when they are due but also securing the money in a non-inflationary and economical manner, the President in June of last year asked Congress to remove the 4-1/4 percent interest rate ceiling on new issues of all Treasury bonds running more than 5 years to maturity. The Congress debated the matter but did not act, despite renewal of the President's request in August. On the 12th of this month the President, for a third time, asked Congress for removal of the archaic interest ceiling, passed in 1918, which is restricting flexible debt management.

We are fully aware that a great many members of the home building industry are opposed to removing the 4-1/4 percent ceiling because they have the impression that it would hurt the mortgage market. I believe that just the opposite is true.

Time after time during the last few months leaders in the field of home financing -- in mutual savings banks, commercial banks and savings and loan associations -- have come to us with conclusive evidence that more harm is being done to the mortgage market today by large scale Treasury security offerings in the 4 to 5-year area than by selling long-term bonds.

Mortgage funds come primarily from savings and loan associations and from banks -- in fact, over 60 percent last year came from these two sources. These institutions secure their money mostly from individuals as they save from current income.

Individuals earn no more than 3 percent on their savings accounts in commercial banks, since that is maximum permitted by Federal regulation. They earn about 3-1/2 percent on their mutual savings bank accounts. They earn a little more on savings and loan shares, but still less than 4 percent on the average, even with recent increases.

Therefore, when the ceiling forces the Treasury to pay 5 percent to sell a 4 to 5-year note, as it has recently, this interest rate on a Government security becomes a "magic" rate that captures the buying interest of thousands of individuals who usually never think of such investments.

People raise the money to buy these high-yield securities by drawing savings out of the banks and savings and loan associations. The net result is an injury to the mortgage market substantially greater than the actual withdrawal of savings, since no institution will make future commitments to buy mortgages in excess of its expected cash flow.

If the Treasury, on the other hand, had not been obliged to do all of its financing within the 5-year straightjacket, some of the pressure could have been taken off the short-term market by doing a modest amount of cash borrowing and by refunding immediate maturities in the area beyond 5 years. This could have been done, I believe, at undoubtedly less than 5 percent, and the buyers largely would not have been individuals who drew money out of savings institutions at the expense of the mortgage market. The issue would more likely have been placed with pension funds and other long-term savers who are not major sources of mortgage funds.

In the second place the Treasury probably would have tried to accomplish most of its debt extension through advance refunding, so the volume of long-term issues for cash or immediate refunding would probably be small. The current flow of savings is not touched by advance refunding, since an investor already holding a Government bond merely exchanges it for a new and longer one.

It seems rather obvious to me, therefore, that the home building industry has much to gain from active support of the President's request for removal of the 4-1/4 percent interest rate ceiling. Your industry is heavily dependent on the lifeblood of credit. I submit that you will find more mortgage credit available with the ceiling off than with it on.

Today the current pressure for funds by businesses, state and municipal governments, home builders, and other borrowers makes heavy demands on a relatively modest volume of savings and has pushed up interest rates. The Treasury, because of the 4-1/4 percent ceiling, cannot sell new bonds of more than five years' maturity. The Treasury must, therefore, borrow wholly on short-term securities. Much of this borrowing is inflationary; under current market conditions it is costly; it hurts consumers and small businesses; and it creates even greater debt management problems for the future.

Crowding all Treasury borrowing into the short-term market adds to inflationary pressures for two reasons. In the first place, a long-term bond is a true investment instrument, but a short-term Treasury security is only a few steps away from being money. It can be sold easily in the market, at or about its redemption price, to obtain funds to spend for goods and services, or the holder can simply wait a few days or weeks until it matures, demand cash from the Treasury, and spend the proceeds.

Secondly, commercial banks make up a much larger part of the market for short-term Treasury securities than they do for long-term issues. When banks buy securities they create in the process new deposits, and this adds to the money supply. An expanding money supply, during a period when pressures on economic resources are intensifying, adds momentum to inflationary forces.

The handling of our $290 billion debt in an inflationary manner is bad enough, but that's not all. Sole reliance on short-term borrowing is costly today, because interest rates on most securities of less than 5 years' maturity are higher than those on longer-term issues.

It is only common sense that the confinement of all borrowing to one segment of the market tends to drive up interest rates in that part of the market. The fact is that the short-term market is already overcrowded, reflecting the impact of record credit demands on the part of consumers, small businesses, and other short-term borrowers. This overcrowding means that somebody is going to get pinched, so long as the Treasury has to borrow exclusively on short-term issues. The proof of this statement is evident in today's market for Government securities. On 3-month Treasury bills interest rates are about 4-1/2 percent. The rates on 6-month bills, 1-year bills and 5-year notes are all about 5 percent. At the same time it probably would have been possible to borrow cheaper in the long-term area.

In addition to being inflationary, costly, and unfair to private short-term borrowers such as consumers and small businesses, Treasury financing wholly in the short-term range can only add to future problems of debt management. Currently almost three-fourths of the marketable public debt matures within five years, and that total is growing. As more debt is piled into this area, the short-term debt will grow, and future refundings of maturing issues will have to be undertaken more frequently and in greater amounts. The situation is comparable to one that might be faced by an individual with a mortgage on his home that matured every two or three years -- he would be forced to refinance that mortgage, if he could, each time it came due, and under whatever conditions might be prevailing at that time. This, to say the least, would not be a desirable arrangement. The Congress has in effect put the Treasury in this same sort of position.

It has been alleged that the removal of the 4-1/4 percent ceiling would raise interest rates. We do not believe that this would be the case. The inflationary aspects of debt management policy under the present ceiling could raise increasing apprehension both here and abroad as to the future value of the dollar. Nothing contributes so strongly to forcing interest rates upward as fear of inflation. Those investors who want to invest in fixed-dollar obligations -- rather than in stocks -- will demand higher interest rates to compensate for their expectation of a shrinking purchasing power of the future repayments of principal and interest.

The refusal of Congress to act in this area -- despite the clearcut and pressing need for action -- is in effect a renewal of the old conflict between the advocates of soft money and pegged interest rates versus those who stand solidly for sound money and flexible interest rates. The Treasury is dedicated to the proposition that sound money is the firm foundation on which an effective anti-inflationary program must be based.

The softest kind of money is, of course, printing press money -- such as the Continental currency of the Revolutionary War days and the "greenbacks" of the Civil War. No one today is an outright advocate of printing press money. But there are many who advocate what is in essence the same thing. These people believe that the Federal Reserve System should return to the discredited and highly inflationary practice of supporting the prices of Government bonds -- to keep interest rates down -- in the same way that was done during and after World War II. Every dollar that the Federal Reserve puts out in this way is a high-powered dollar, providing the basis for a $6 growth in the money supply. Such action would spawn the very inflation that ultimately shoots interest rates through the ceiling. Fear of inflation discourages investors from buying bonds; it encourages borrowers to seek credit. Thus, the demand for money rises and the supply subsides. Interest rates go up.

Consequently, removal of the 4-1/4 percent ceiling on new issues of long-term Treasury bonds, by permitting the Treasury to manage the debt in the least inflationary way, would actually work for lower -- not higher -- interest rates.

Today, the American people must make a decision. They can choose artifically low interest rates created by soft money, and accept the inflation that results. The other choice, which I trust they will adopt, is to support flexible interest rates, and thus fight inflation. The latter course will lead to healthy, long-lasting, and rewarding growth.

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RELEASE A. M. NEWSPAPERS, Tuesday, January 19, 1960.

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| RANGE OF ACCEPTED COMPETITIVE BIDS: | 91-day Treasury bills maturing April 21, 1960 | | 182-day Treasury bills maturing July 21, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.886 | 4.407% | 97.650a/ | 4.648% |
| Low | 98.875 | 4.451% | 97.636 | 4.676% |
| Average | 98.879 | 4.436% 1/ | 97.641 | 4.665% 1/ |

a/ Excepting one tender of $24,000
59 percent of the amount of 91-day bills bid for at the low price was accepted
54 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 33,763,000 | $ 20,833,000 | $ 4,711,000 | $ 4,606,000 |
| New York | 1,363,199,000 | 641,536,000 | 704,552,000 | 285,126,000 |
| Philadelphia | 32,712,000 | 17,162,000 | 7,394,000 | 2,394,000 |
| Cleveland | 43,073,000 | 28,583,000 | 18,548,000 | 11,996,000 |
| Richmond | 15,080,000 | 13,617,000 | 6,088,000 | 5,038,000 |
| Atlanta | 22,701,000 | 19,335,000 | 5,765,000 | 4,516,000 |
| Chicago | 182,547,000 | 105,434,000 | 68,348,000 | 32,944,000 |
| St. Louis | 30,372,000 | 24,570,000 | 15,166,000 | 10,156,000 |
| Minneapolis | 12,195,000 | 9,772,000 | 4,333,000 | 2,832,000 |
| Kansas City | 50,328,000 | 36,578,000 | 8,710,000 | 8,143,000 |
| Dallas | 22,337,000 | 21,437,000 | 7,402,000 | 6,858,000 |
| San Francisco | 70,097,000 | 61,830,000 | 36,482,000 | 25,532,000 |
| TOTALS | $1,878,404,000 | $1,000,687,000b/ | $887,499,000 | $400,141,000c/ |

b/ Includes $286,022,000 noncompetitive tenders accepted at the average price of 98.879
c/ Includes $80,622,000 noncompetitive tenders accepted at the average price of 97.641
1/ Average rate on a coupon issue equivalent yield basis is 4.56% for the 91-day bills and 4.86% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

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We are indeed fortunate, as Americans, to live in a Nation rich with natural resources, a highly efficient labor force and production system, and managerial talent and initiative. We also live in a community of free nations that, working together, can move forward in the drive to improve living standards for all freedom-loving people. The 1950's were years of prosperity and progress, and the decade of the 1960's can be an even more rewarding period. But only if we clearly identify the problems that confront us -- individually, as a Nation, and as a community of nations -- and only if we meet those problems squarely and responsibly, relying upon our native common sense and the hard lessons that experience both here and abroad has taught us. That is the challenge to all of us.

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and other money market instruments is likely to be especially severe, not to mention the inflationary implications of piling up very short-term securities which are the next thing to money. On the other hand, to the extent we reach out to the 4- to 5-year range, we run the danger of an indirect but nevertheless very strong impact on capital markets, and particularly on the mortgage market. Clearly, the present ceiling, by the distortions it creates, operates to make interest rates higher than they need to be generally across the maturity spectrum.

That is the dilemma. The answer lies, of course, with the Congress, and you can be assured that the Administration will continue to press for removal of the interest-rate ceiling with all the vigor and energy that it can command.

Given the tools, by removal of the ceiling, we in the Treasury believe the situation is manageable. There will always be problems but they are not of the magnitude that many envisage. The debt maturing within one year, $80 billion, is not too far out of line with the needs of the economy for liquidity instruments. If the debt up to 1 year were reduced $5 to $10 billion, we would feel more comfortable. However, the debt under 1 year surely should not be permitted to increase.

Our real problem is in the 1- to 5-year area where $62 billion are outstanding. If, chiefly by the device of advance refunding, we could offset each year the erosion of maturity caused by the lapse of time, and over a period of several years, lift something of the magnitude of $20 billion out of the 1- to 5-year area and spread that out over the rest of the maturity spectrum, we would be reasonably content with the resulting maturity configuration.

The E and H savings bond picture looked pretty grim last summer when Congress was debating whether to lift the old interest rate ceiling of 3-1/4%. Sales decreased and redemptions increased with the result that total outstanding declined about $300 million from March to October. Beginning in November there was a turn for the better, as you know, and at the year-end net investment in E and H bonds was only $30 million below the figure a year earlier. Small denominations and payroll savings are going quite well but the sales and redemptions of larger denominations have been affected by the competition of the Magic 5's and other high-yielding investments.

The increased interest of your customers in marketables, the exchange of F's and G's for 4-3/4% notes, and the newly-offered privilege given the holders of Series E, F and J to exchange for H bonds, have combined to put a considerable burden of work on the banks in recent months. We regret this but we feel that we cannot discharge our responsibility in a trying period and do otherwise.

For example, the evidence is strong that the necessarily heavy reliance on short-term borrowing has contributed significantly to pushing short-term interest rates to the highest levels since the 1920's. This has had an almost immediate and substantial impact on the cost of carrying the public debt, since $80 billion of our securities mature within one year and must be refinanced at the higher short-term rates. Moreover, heavy Treasury short-term borrowing is bound to reduce the availability and increase the cost of credit to other short-term borrowers, such as consumers and businesses, large and small.

Some of those who opposed removal of the ceiling last summer erroneously argued that any resultant Treasury borrowing on long-term bonds would tend to reduce the availability of credit for home building and also contribute to higher rates on real estate mortgages We told these people that, if and when the ceiling is removed, we would have no intention of flooding the market with long-term securities. Our new issues for cash would be relatively modest in amount and most of our debt lengthening would be effected by refunding outstanding bonds -- which were originally long-term and are still held by long-term investors -- a number of years in advance of their final maturity. This technique, of "advance refunding," would avoid the impact on capital markets that arises from Treasury sales of long-term securities for cash or in exchange for maturing issues, in which case the character of ownership necessarily must be shifted.

Paradoxically, the very result feared by these people may come to pass unless the ceiling is removed -- in fact, an important part of it has already happened. It is obvious that the Treasury cannot confine all of its financing to very short-term issues in the one year area; the least that we can do is to place some securities in the 4- to 5-year maturity range, thus achieving a modest amount of debt lengthening and also helping to avoid the inflationary pressures generated by large-scale reliance on very short-term securities. But experience with the 5% note issued in October -- the so-called "Magic 5's" -- demonstrates clearly that individual investors will respond eagerly to such issues at the rates which we are forced to pay; a large portion of the funds they use to buy these securities would represent withdrawals from savings accounts in banks and savings and loan associations. As a consequence, the impact on the mortgage market of such withdrawals is much more severe than if the 4-1/4% ceiling were removed and the Treasury were able to pursue advance refunding and a moderate amount of long-term financing for cash. Such issues of longer term tend to find lodgement with private and public pension funds, foundations, and similar institutions which typically are not purchasers of mortgages.

Thus the Treasury, so long as the ceiling remains, is confronted with a perplexing dilemma. If we confine all of our borrowing to very short-term securities, the impact on rates on Treasury bills

What will the achievement of a $4.2 billion budget surplus mean to the Nation's financial markets? The better tone in the Government securities market following the President's announcement of the surplus provides important evidence that the impact is beneficial.

First of all, the achievement of the surplus helps convince investors at home and abroad that this Nation is determined to handle its financial affairs prudently and responsibly, and this in turn strengthens the desire to invest in Government securities and other fixed-dollar obligations.

Secondly, the more appropriate anti-inflationary posture of budget policy, as reflected in the surplus, helps reduce the burden carried by monetary policy in promoting growth without inflation.

In the third place, the use of the surplus for debt retirement increases the flow of genuine savings into financial markets, thus helping to relieve pressures forcing up interest rates and to increase the availability of credit in the private sector of the economy.

If my story could end at this point, all of us would no doubt agree that the Government's financial affairs, certainly far from being in perfect shape, are at least in better condition than they have been for a number of years. Unfortunately, however, there is more to the story. I refer to the fact that a wholly artificial and archaic restriction is preventing Treasury debt management from providing appropriate support to anti-inflationary budget and monetary policies. As you know, this restriction consists of a 4-1/4 percent interest rate ceiling on new issues of Treasury securities of more than five years' maturity. In view of the levels of long-term interest rates that have prevailed since the spring of 1959, the practical effect of this limitation is to force the Treasury to do all of its borrowing by issuing securities of five years' maturity or less, on which no ceiling applies.

I will not repeat today all of the arguments that we presented to the Congress last summer in our unsuccessful effort to get the ceiling removed -- arguments which we believe are even more valid now. You will recall that we especially emphasized the inflationary implications of flooding the market with very short-term Government securities, which are only a step away from being money. We also argued that the ceiling completely prevents the Treasury from achieving any significant amount of debt extension, which is especially important in view of the fact that 75 percent of the marketable debt matures within five years. I would like to emphasize, however, that more than six months experience in operating under the ceiling -- during which time the Treasury borrowed $47-1/2 billion through cash and refunding operations -- has demonstrated clearly that the ceiling is militating against efficient achievement of sound economic objectives.

This Administration -- backed by an aroused citizenry -- has succeeded in what appeared a year ago to be an almost impossible task: the budget for this fiscal year will be balanced and, in fact, a small surplus of about $200 million now appears likely. But of even greater importance in the fight against inflation is the $4.2 billion surplus of revenues over expenditures in the President's budget for fiscal year 1961.

It is obvious that a budget presented in January 1960 for a period ending some 18 months in the future necessarily involves some broad judgments. The actual realization of the $4.2 billion surplus depends primarily on two things: the continued upward trend of the economy during the next year and one-half, and Congressional actions with respect to both expenditures and tax rates. It must be recognized that some types of expenditure -- notably farm price supports -- are heavily influenced by nature and by legislative commitments over which the Administration has little control.

Assuming that current levels of taxation prevail, the budget's revenue estimates are, in my judgment, on very solid ground. The President stated in his press conference last week that a basic assumption underlying the revenue estimates is a gross national product of about $510 billion for this calendar year. As you know, a number of forecasters believe that GNP will move even higher.

The projected $4.2 billion surplus will undoubtedly generate substantial pressures for a reduction in taxes and/or an increase in expenditures. It is crucially important that these pressures be withstood. Basic reform in the tax structure is certainly a desirable objective, but such changes require a broad, carefully considered approach, rather than the kind of piecemeal corrections. The House Ways and Means Committee on a bi-partisan basis initiated a careful study of the income tax structure last year and expects to recommend legislation next year. The announced objectives are a broadening of the base and a lowering of rates. The Treasury is cooperating actively with the Committee in this searching reappraisal.

The President's statements in his State of the Union, Budget, and Economic messages leave no doubt that the Administration is dedicated to the protection of the $4.2 billion surplus for debt reduction; it will vigorously oppose any attempts to reduce the surplus, either in the form of premature tax reductions or increases in appropriations. But, again, this is not a battle that can be confined to Capitol Hill and the White House; strong grass roots support -- such as the vigorous expression of public opinion that was so important in supporting the Administration in the battle of the Budget last year -- is absolutely essential.

rebuild their economies through the Marshall Plan and other measures. The "dollar gap" has long since been eliminated and we must adjust our thinking to the changed conditions, when some industrial countries are accumulating surpluses in the form of gold and dollars.

Whether we like it or not we have become the world's leading banker -- like the typical banker we have lent long and borrowed short. Short-term claims on us held by foreign countries, largely deposits in banks and Treasury bills, have built up from under $7 billion at the end of the war to $17 billion at present. Dollars supplement gold as the basic international reserves for most of the currencies of the free world.

This means that foreigners now have an important stake in how we manage our affairs just as depositors have a stake in how a bank is operated.

The Administration is taking appropriate steps to try to reduce the size of the payments deficits, but these steps will continue to be consistent with our objective of promoting an expanding volume of world trade. But it should be readily apparent that a basic factor is the cost-price structure in this country. Our ability to expand our exports will be impaired if this structure is not competitive.

In a complex economy, producing goods and services at a rate close to a half-trillion dollars a year, the causes of inflation are bound to be complex; thus there is no simple cure to the inflation problem. Moreover, the task of controlling inflation does not start and stop on the banks of the Potomac; individuals in every walk of life, institutions of all kinds, labor, management -- each and every one of us must handle his economic and financial affairs on the basis of enlightened self-interest.

In the last analysis, public opinion will tip the scales. It seems to me that we see evidence of some progress in this respect. Surely there is a growing realization that wages cannot, on the average, increase faster than the overall increase in productivity without prices following suit, and vice versa. Some of the public opinion polls indicate this lesson is beginning to sink in.

However, in attempting to protect the purchasing power of the dollar, of one thing we can be certain: The battle against inflation will surely be lost if we fail to maintain financial responsibility in Federal Government activities. By financial responsibility I mean three things: a surplus in the Federal budget during periods of properous business activity; monetary discipline, so that excessive expansion in credit and the money supply is not allowed to tip the scales toward inflation; and debt management actions that support anti-inflationary budget and monetary policies.

The record of the 1950's was good on two other counts. Except for the impact of two short-lived recessions -- in 1953-54 and in 1957-58, employment of the labor force was at a high and rising level. Moreover, our free enterprise economy snapped back strongly from recession in 1954 and again in 1958, without the artificial stimulant of massive Government spending or emergency tax cuts.

The performance of the American economy in the 1950's was good, therefore, with respect to growth, maintenance of employment opportunities, and minimizing recessionary tendencies. But our performance in the vital task of protecting the value of the dollar -- of avoiding inflation -- cannot be judged as adequate. When the decade began, the purchasing power of the consumer's dollar was about 59 cents, if figured on the basis of a 1939 dollar of 100 cents. As 1960 begins, the purchasing power of the consumer dollar is estimated to have fallen almost to 47 cents. This 12-cent cut in the dollar's value represents an increase of about 24 percent in the consumer price level over the decade. Nearly two-thirds of this increase in prices was associated with the Korean episode; a little over one-third has occurred since 1955.

The lessons of the 1950's seem to me to be very clear, and these lessons point to the primary challenge of the 1960's. Stated simply: Inflation is our primary economic danger as we turn the corner into the new decade. If we do not markedly strengthen our efforts to protect the value of the dollar, much that we have worked so hard for in our domestic economy, as well as internationally, may be lost to us. As President Eisenhower said in his State of the Union Message:

> "We must fight inflation as we would a fire that imperils our home. Only by so doing can we prevent it from destroying our salaries, savings, pensions, and insurance, and from gnawing away the very roots of a free, healthy economy and the nation's security."

The President also pointed out that, "Inflation's ravages do not end at the water's edge." He was referring to our international balance of payments position, which has been in deficit in each year since 1949, with the exception of 1957. Recently the deficits have risen to a high level -- about $3-1/2 billion in 1958 and approaching $4 billion in 1959. Large deficits cannot be sustained safely for a long period of time if we are to have a satisfactory pattern of our balance of payments and if the dollar is to function properly as the world's major reserve currency.

This heavy and continuing deficit in our balance of payments situation is a relatively new phenomenon to us. For many decades until this last one, we have enjoyed a generally favorable balance of international payments. Then, largely as a result of wars, it became for a time extremely favorable -- the shortages of both goods and financial reserves led us properly to help industrial nations kind of growth, but growth in the production of goods and services that people need, want, and are able to buy; nor can we accept growth that is frequently interrupted by sharp cyclical movements. Instead we seek economic progress relatively free from unsustainable upsurges and long recessionary periods. This is the only kind of growth that is acceptable in a society in which the basic economic decisions are made by millions of free individuals rather than by a government that professes to have the answers to all questions.

Real gross national product -- eliminating the effect of price changes -- increased at an annual rate of about 3-1/2 percent during the 1950's -- somewhat higher than our long-term, historical average. This progress is even more striking when it is realized that during the 1950's we devoted a relatively large portion of our resources to national security and also experienced substantial growth in consumer expenditures for goods and services. Moreover, the labor force, reflecting the low birth rates of the 1930's, grew at only a modest rate during the past decade. This also impeded economic growth and, incidentally, is one of the reasons for the strong upward pressures on wage rates during the period.

The 3-1/2 percent rate of growth in real gross national product, significant as it is, does not by any means tell the whole story of economic progress during the 1950's. From our point of view, industrial production provides a much more meaningful measure of growth, partly because it excludes the low productivity service industries which have grown so rapidly in recent years. In this respect, the significance of a recent major revision of the Federal Reserve index of industrial production has been generally overlooked. The revision indicates that industrial output increased at an average annual rate of about 5-1/3 percent during the 1950's, a rate that, if continued, will double industrial production in 13-1/2 years.

This evidence indicates clearly that we have nothing to be ashamed of with respect to the rate at which our economy has been growing. We can and should do better in the 1960's, but we must not allow our perspective to be blurred by the apparently very high rates of growth in certain foreign countries.

In judging the significance of the reportedly high rate of growth in Soviet Russia, for example, we must recognize that, at best, their statistics may be questionable. We must also recognize that their postwar growth rate is computed from a much smaller base than in this country and that they can reap the benefits of past technological progress in free enterprise countries. Furthermore -- and perhaps of primary importance -- we must not forget that their backwardness in agricultural output provides great scope for increases in percentage output as labor is released from the farms and moves to the factories.

TREASURY DEPARTMENT
Washington

HOLD FOR RELEASE ON DELIVERY

REMARKS BY JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY, AT THE NATIONAL CREDIT CONFERENCE OF THE AMERICAN BANKERS ASSOCIATION, LASALLE HOTEL, CHICAGO, ILLINOIS, FRIDAY, JANUARY 22, 1960, at 2:00 P.M., CST.

# FINANCING YOUR GOVERNMENT

The 1960's have dawned on a note of strong optimism. I have no intention of adding another business forecast to the multitude that have already seen the light of day -- one more forecast might be the marginal straw to break the camel's back; but I do endorse the general view that 1960 promises to be a very prosperous year.

We still live in a world of international tensions. We can hope that the somewhat better atmosphere of the past several months marks a genuine improvement in international relations, but we can ill afford to relax our defensive posture so long as the enemies of freedom fail to support their promises with concrete actions. The cold war, in one form or another, may be with us for a long time.

But it is not my intention today to dwell at length on international political matters, except to emphasize that the maintenance of national security, as an adjunct to our efforts to achieve a genuine and lasting peace, is our first major task. Instead, I shall discuss some of the problems that confront us on the economic front. Actually, our objectives of attaining a lasting peace and of maintaining a healthy, growing domestic economy are inseparably related; we cannot continue to serve effectively as a leader in the free world unless our domestic economy is strong.

Our economic problems center around the necessity for maintaining a high and sustained rate of economic growth; fostering conditions that will provide maximum employment opportunities for those willing, able, and seeking to work; and maintaining reasonable stability in the price level.

A brief survey of the decade just ended should provide us with important clues as to the shape of the problems we may face in the 1960's. I submit that our record in the 1950's with respect to two of our important goals -- growth and employment -- was quite satisfactory; in fact, much more so than is generally appreciated. In assessing the record with respect to economic growth, we must realize that our goal is expansion at a sustainable pace. We do not believe in just any

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What will the achievement of a $4.2 billion budget surplus mean to the Nation's financial markets? The better tone in the Government securities market following the President's announcement of the surplus provides important evidence that the impact is beneficial.

First of all, the achievement of the surplus helps convince investors at home and abroad that this Nation is determined to handle its financial affairs prudently and responsibly, and this in turn strengthens the desire to invest in Government securities and other fixed-dollar obligations.

Secondly, the more appropriate anti-inflationary posture of budget policy, as reflected in the surplus, helps reduce the burden carried by monetary policy in promoting growth without inflation.

In the third place, the use of the surplus for debt retirement increases the flow of genuine savings into financial markets, thus helping to relieve pressures forcing up interest rates and to increase the availability of credit in the private sector of the economy.

If my story could end at this point, all of us would no doubt agree that the Government's financial affairs, certainly far from being in perfect shape, are at least in better condition than they have been for a number of years. Unfortunately, however, there is more to the story. I refer to the fact that a wholly artificial and archaic restriction is preventing Treasury debt management from providing appropriate support to anti-inflationary budget and monetary policies. As you know, this restriction consists of a 4-1/4 percent interest rate ceiling on new issues of Treasury securities of more than five years' maturity. In view of the levels of long-term interest rates that have prevailed since the spring of 1959, the practical effect of this limitation is to force the Treasury to do all of its borrowing by issuing securities of five years' maturity or less, on which no ceiling applies.

I will not repeat today all of the arguments that we presented to the Congress last summer in our unsuccessful effort to get the ceiling removed -- arguments which we believe are even more valid now. You will recall that we especially emphasized the inflationary implications of flooding the market with very short-term Government securities, which are only a step away from being money. We also argued that the ceiling completely prevents the Treasury from achieving any significant amount of debt extension, which is especially important in view of the fact that 75 percent of the marketable debt matures within five years. I would like to emphasize, however, that more than six months' experience in operating under the ceiling -- during which time the Treasury borrowed $47-1/2 billion through cash and refunding operations -- has demonstrated clearly that the ceiling is militating against efficient achievement of sound economic objectives.

For example, the evidence is strong that the necessarily heavy reliance on short-term borrowing has contributed significantly to pushing short-term interest rates to the highest levels since the 1920's. This has had an almost immediate and substantial impact on the cost of carrying the public debt, since $80 billion of our securities mature within one year and must be refinanced at the higher short-term rates. Moreover, heavy Treasury short-term borrowing is bound to reduce the availability and increase the cost of credit to other short-term borrowers, such as consumers and businesses, large and small.

Some of those who opposed removal of the ceiling last summer erroneously argued that any resultant Treasury borrowing on long-term bonds would tend to reduce the availability of credit for home building and also contribute to higher rates on real estate mortgages We told these people that, if and when the ceiling is removed, we would have no intention of flooding the market with long-term securities. Our new issues for cash would be relatively modest in amount and most of our debt lengthening would be effected by refunding outstanding bonds -- which were originally long-term and are still held by long-term investors -- a number of years in advance of their final maturity. This technique, of "advance refunding," would avoid the impact on capital markets that arises from Treasury sales of long-term securities for cash or in exchange for maturing issues, in which case the character of ownership necessarily must be shifted.

Paradoxically, the very result feared by these people may come to pass unless the ceiling is removed -- in fact, an important part of it has already happened. It is obvious that the Treasury cannot confine all of its financing to very short-term issues in the one year area; the least that we can do is to place some securities in the 4- to 5-year maturity range, thus achieving a modest amount of debt lengthening and also helping to avoid the inflationary pressures generated by large-scale reliance on very short-term securities. But experience with the 5% note issued in October -- the so-called "Magic 5's" -- demonstrates clearly that individual investors will respond eargerly to such issues at the rates which we are forced to pay; a large portion of the funds they use to buy these securities would represent withdrawals from savings accounts in banks and savings and loan associations. As a consequence, the impact on the mortgage market of such withdrawals is much more severe than if the 4-1/4% ceiling were removed and the Treasury were able to pursue advance refunding and a moderate amount of long-term financing for cash. Such issues of longer term tend to find lodgement with private and public pension funds, foundations, and similar institutions which typically are not purchasers of mortgages.

Thus the Treasury, so long as the ceiling remains, is confronted with a perplexing dilemma. If we confine all of our borrowing to very short-term securities, the impact on rates on Treasury bills and other money market instruments is likely to be especially severe, not to mention the inflationary implications of piling up very short-term securities which are the next thing to money. On the other hand, to the extent we reach out to the 4- to 5-year range, we run the danger of an indirect but nevertheless very strong impact on capital markets, and particularly on the mortgage market. Clearly, the present ceiling, by the distortions it creates, operates to make interest rates higher than they need to be generally across the maturity spectrum.

That is the dilemma. The answer lies, of course, with the Congress, and you can be assured that the Administration will continue to press for removal of the interest-rate ceiling with all the vigor and energy that it can command.

Given the tools, by removal of the ceiling, we in the Treasury believe the situation is manageable. There will always be problems but they are not of the magnitude that many envisage. The debt maturing within one year, $80 billion, is not too far out of line with the needs of the economy for liquidity instruments. If the debt up to 1 year were reduced $5 to $10 billion, we would feel more comfortable. However, the debt under 1 year surely should not be permitted to increase.

Our real problem is in the 1- to 5-year area where $62 billion are outstanding. If, chiefly by the device of advance refunding, we could offset each year the erosion of maturity caused by the lapse of time, and over a period of several years, lift something of the magnitude of $20 billion out of the 1- to 5-year area and spread that out over the rest of the maturity spectrum, we would be reasonably content with the resulting maturity configuration.

The E and H savings bond picture looked pretty grim last summer wh Congress was debating whether to lift the old interest rate ceiling of 3-1/4%. Sales decreased and redemptions increased with the result that total outstanding declined about $300 million from March to October. Beginning in November there was a turn for the better, as you know, and at the year-end net investment in E and H bonds was only $30 million below the figure a year earlier. Small denominations and payroll savings are going quite well but the sales and redemptions of larger denominations have been affected by the competition of the Magic 5's and other high-yielding investments.

The increased interest of your customers in marketables, the exchange of F's and G's for 4-3/4% notes, and the newly-offered privilege given the holders of Series E, F and J to exchange for H bonds, have combined to put a considerable burden of work on the banks in recent months. We regret this but we feel that we cannot discharge our responsibility in a trying period and do otherwise.

We are indeed fortunate, as Americans, to live in a Nation rich with natural resources, a highly efficient labor force and production system, and managerial talent and initiative. We also live in a community of free nations that, working together, can move forward in the drive to improve living standards for all freedom-loving people. The 1950's were years of prosperity and progress, and the decade of the 1960's can be an even more rewarding period. But only if we clearly identify the problems that confront us -- individually, as a Nation, and as a community of nations -- and only if we meet those problems squarely and responsibly, relying upon our native common sense and the hard lessons that experience both here and abroad has taught us. That is the challenge to all of us.

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from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated October 29, 1959, (91 days remaining until maturity date on April 28, 1960) and noncompetitive tenders for $100,000 or less for the 182-day bills 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 January 28, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 28, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

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~~Exhibit A~~

~~XXXXXXXXXXXXX~~

TREASURY DEPARTMENT
Washington

A 741

RELEASE A. M. NEWSPAPERS,
Thursday, January 21, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,400,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 28, 1960, in the amount of $1,400,773,000, as follows:

91-day bills (to maturity date) to be issued January 28, 1960, in the amount of $1,000,000,000, or thereabouts, representing an additional amount of bills dated October 29, 1959, and to mature April 28, 1960, originally issued in the amount of $400,794,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated January 28, 1960, and to mature July 28, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, January 25, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT

WASHINGTON. D.C.

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated October 29, 1959, ( 91 days remaining until maturity date on April 28, 1960) and noncompetitive tenders for $ 100,000 or less for the 182 -day bills 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 January 28, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 28, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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A-745

RELEASE A. M. NEWSPAPERS, Tuesday, January 26, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 29, 1959, and the other series to be dated January 28, 1960, which were offered on January 21, were opened at the Federal Reserve Banks on January 25. Tenders were invited for $1,000,000,000, or thereabouts, of 91-day bills and for $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 April 28, 1960 | | 182-day Treasury bills maturing July 28, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.970 | 4.075% | 97.682 | 4.585% |
| Low | 98.954 | 4.138% | 97.668 | 4.613% |
| Average | 98.960 | 4.116% 1/ | 97.671 | 4.608% 1/ |

74 percent of the amount of 91-day bills bid for at the low price was accepted
88 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 29,448,000 | $ 19,448,000 | $ 5,352,000 | $ 5,346,000 |
| New York | 1,247,592,000 | 570,789,000 | 627,578,000 | 214,571,000 |
| Philadelphia | 30,502,000 | 15,002,000 | 13,303,000 | 8,143,000 |
| Cleveland | 33,688,000 | 33,688,000 | 27,017,000 | 20,667,000 |
| Richmond | 13,135,000 | 12,710,000 | 2,269,000 | 2,019,000 |
| Atlanta | 22,559,000 | 20,359,000 | 4,417,000 | 4,217,000 |
| Chicago | 214,483,000 | 143,053,000 | 91,823,000 | 69,268,000 |
| St. Louis | 30,457,000 | 29,457,000 | 9,324,000 | 4,324,000 |
| Minneapolis | 12,906,000 | 12,706,000 | 4,074,000 | 2,538,000 |
| Kansas City | 43,659,000 | 35,159,000 | 6,959,000 | 6,759,000 |
| Dallas | 17,573,000 | 17,073,000 | 6,405,000 | 6,405,000 |
| San Francisco | 97,363,000 | 90,638,000 | 73,741,000 | 56,145,000 |
| TOTALS | $1,793,365,000 | $1,000,082,000a/ | $872,262,000 | $400,402,000b/ |

a/ Includes $258,474,000 noncompetitive tenders accepted at the average price of 98.960
b/ Includes $61,811,000 noncompetitive tenders accepted at the average price of 97.671
1/ Average rate on a coupon issue equivalent yield basis is 4.23% for the 91-day bills and 4.80% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

Mm W.T.H.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, January 26, 1960. A-742

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 29, 1959, and the other series to be dated January 28, 1960, which were offered on January 21, were opened at the Federal Reserve Banks on January 25. Tenders were invited for $1,000,000,000, or thereabouts, of 91-day bills and for $400,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

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# CHAIRMEN OF TREASURY-INDUSTRY SAVINGS BONDS REGIONAL CONFERENCE

~~FEDERAL RESERVE CITY CHAIRMEN~~

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BOSTON

Erskine N. White, President
N. E. Telephone & Telegraph Company
Boston, Massachusetts

NEW YORK

Eugene Holman, Chairman
Standard Oil Company (New Jersey)
30 Rockefeller Plaza
New York 20, New York

BUFFALO

Charles J. Wick, Vice President
Niagara-Mohawk Power Corporation
Western Division
535 Washington Street
Buffalo 3, New York

CLEVELAND

Charles E. Spahr, President
The Standard Oil Company (Ohio)
Midland Building
Cleveland 15, Ohio

CINCINNATI

Walter C. Beckjord, Chairman
The Cincinnati Gas & Electric Co.
Fourth & Main Streets
Cincinnati 2, Ohio

PITTSBURGH

Gwilym A. Price, Chairman
Westinghouse Electric Corporation
P. O. Box 2278
3 Gateway Center
Pittsburgh 30, Pennsylvania

BALTIMORE

W. Arthur Grotz, President
Western Maryland Railway Company
Commercial Credit Building
300 St. Paul Place
Baltimore 2, Maryland

CHARLOTTE

Howard Holderness, President
Jefferson Standard Life
Insurance Company
N. Elm Street
Greensboro, North Carolina

BIRMINGHAM

Frank B. Newton, Vice President
and General Manager
Southern Bell Telephone &
Telegraph Co.
Birmingham, Alabama

JACKSONVILLE

Charles W. Campbell, Vice Presid
Prudential Insurance Co. of
America
841 Miami Road
Jacksonville, Florida

NASHVILLE

F. Donald Hart, President
Temco, Incorporated
4101 Charlotte Avenue
Nashville 9, Tennessee

NEW ORLEANS

W. O. Turner, Chairman
Louisiana Power & Light Co.
142 Delaronde Street
New Orleans 14, Louisiana

CHICAGO

Meyer Kestnbaum, President
Hart Schaffner & Marx
36 S. Franklin Street
Chicago 6, Illinois

DETROIT

John J. Cronin, Vice President
General Motors Corp.
General Motors Building
Detroit 2, Michigan

85

~~Federal Reserve City Chairmen - Cont'd.~~

ST. LOUIS

Arthur K. Atkinson, Chairman
Wabash Railroad
Railway Exchange Building
St. Louis 1, Missouri

LOUISVILLE

Archibald P. Cochran, President
Anaconda Aluminum Company
1430 South Thirteenth Street
Louisville 10, Kentucky

MINNEAPOLIS

Charles H. Bell, President
General Mills, Inc.
9200 Wayzata Blvd.
Minneapolis 26, Minnesota

DALLAS

Dan C. Williams, President
Southland Life Insurance Company
P. O. Box 2220
Dallas, Texas

LOS ANGELES

Robert E. Gross, Chairman
Lockheed Aircraft Corporation
2555 Hollywood Way
Burbank, California

SEATTLE

William M. Allen, President
Boeing Airplane Company
7755 E. Marginal Way
Seattle 14, Washington

SAN FRANCISCO

Reed O. Hunt, President
Crown Zellerbach Corp.
1 Bush Street
San Francisco, California

RICHMOND

Basil D. Browder
Executive Vice President
Dan River Mills
Danville, Virginia

PHILADELPHIA

Allen J. Greenough, President
Pennsylvania Railroad
1836 Transportation Building
Philadelphia 4, Pennsylvania

KANSAS CITY

A. J. Esrey, General Manager
Western Area
American Telephone & Telegraph Co.
811 Main Street
Kansas City, Missouri

ATLANTA

Charles H. Jagels, Chairman
Davison - Paxon Company
180 Peachtree Street
Atlanta 3, Georgia

HOUSTON

Arthur Laro, Vice President
and Executive Editor
Houston Post Company
2410 Polk Avenue
Houston 1, Texas

IMMEDIATE RELEASE,
Tuesday, January 26, 1960.

A-743

Treasury Secretary Anderson today announced that 26 American business leaders and industrialists have volunteered to serve as chairmen to launch a vigorous nation-wide campaign this spring for the sale of Savings Bonds on the payroll savings plan.

The volunteer chairmen met in Washington to discuss the campaign plans to increase payroll savings participation throughout the country.

The 26 Regional Chairmen of the Treasury-Industry Savings Bonds Conference have each been asked by the Secretary to call meetings in their areas of industrial executives. The 26 Regional Conferences, to which will come executives from every state, are designed to increase the number of employees purchasing Savings Bonds and the number of companies offering the Payroll Savings Plan. There are at present over 8-1/2 million payroll savers in some 45,000 businesses and companies offering the plan.

Attached is a list of business and industry executives who will serve as chairmen of the 26 Regional Conferences.

# TREASURY DEPARTMENT



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# CHAIRMEN OF TREASURY-INDUSTRY SAVINGS BONDS REGIONAL CONFERENCE

STON

Erskine N. White, President
N. E. Telephone & Telegraph Company
Boston, Massachusetts

W YORK

Eugene Holman, Chairman
Standard Oil Company (New Jersey)
30 Rockefeller Plaza
New York 20, New York

FFALO

Charles J. Wick, Vice President
Niagara-Mohawk Power Corporation
Western Division
535 Washington Street
Buffalo 3, New York

EVELAND

Charles E. Spahr, President
The Standard Oil Company (Ohio)
Midland Building
Cleveland 15, Ohio

NCINNATI

Walter C. Beckjord, Chairman
The Cincinnati Gas & Electric Co.
Fourth & Main Streets
Cincinnati 2, Ohio

TTSBURGH

Gwilym A. Price, Chairman
Westinghouse Electric Corporation
P. O. Box 2278
3 Gateway Center
Pittsburgh 30, Pennsylvania

LTIMORE

W. Arthur Grotz, President
Western Maryland Railway Company
Commercial Credit Building
300 St. Paul Place
Baltimore 2, Maryland

CHARLOTTE

Howard Holderness, President
Jefferson Standard Life
Insurance Company
N. Elm Street
Greensboro, North Carolina

BIRMINGHAM

Frank B. Newton, Vice President
and General Manager
Southern Bell Telephone &
Telegraph Co.
Birmingham, Alabama

JACKSONVILLE

Charles W. Campbell, Vice President
Prudential Insurance Co. of
America
841 Miami Road
Jacksonville, Florida

NASHVILLE

F. Donald Hart, President
Temco, Incorporated
4101 Charlotte Avenue
Nashville 9, Tennessee

NEW ORLEANS

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Louisiana Power & Light Co.
142 Delaronde Street
New Orleans 14, Louisiana

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Meyer Kestnbaum, President
Hart Schaffner & Marx
36 S. Franklin Street
Chicago 6, Illinois

DETROIT

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General Motors Corp.
General Motors Building
Detroit 2, Michigan

ST. LOUIS

Arthur K. Atkinson, Chairman
Wabash Railroad
Railway Exchange Building
St. Louis 1, Missouri

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Louisville 10, Kentucky

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HOUSTON

Arthur Laro, Vice President
and Executive Editor
Houston Post Company
2410 Polk Avenue
Houston 1, Texas

IMMEDIATE RELEASE
Tuesday, January 26, 1960 A-744

Secretary Anderson today announced the appointment of William H. Neal of Winston-Salem, North Carolina, as an Assistant to the Secretary and National Director of the Savings Bonds Division of the Treasury Department.

Mr. Neal, who has been Senior Vice President of the Wachovia Bank and Trust Company, Winston-Salem, since 1946, succeeds James F. Stiles, who resigned on December 23, 1959.

As National Director of the United States Savings Bonds Division, Mr. Neal will have responsibility for the direction of the Savings Bond Program throughout the country. Mr. Neal is expected to assume his duties by February 15.

Mr. Neal has long been active in the program. During World War II he was area manager in North Carolina and later served as State Savings Bonds Chairman. In 1953 he was named Chairman of the Savings Bonds Committee of the American Bankers Association and in that capacity travelled throughout the country talking to bankers groups on the Treasury's financing program. He was a member of a group of bankers named by the Treasury to tour Western Europe and make a special study on economic conditions and military strength under NATO, and in 1958 was appointed special representative of the Treasury in Europe to confer with military leaders and United States embassy staffs in promoting the sale of Savings Bonds. He holds the Treasury's Distinguished Service Award for his work as National Chairman of the ABA Savings Bonds Committee.

For more than 30 years Mr. Neal has engaged in bank public relations and business development work. He is past President of the Financial Public Relations Association and for five years served as Chairman of the American Bankers Association Public Relations Council. He is a faculty member and a member of the Board of Managers of the Financial Public Relations School of Northwestern University.

Mr. Neal was a member of the faculty of the Graduate School of Banking at Rutgers University for 20 years. He has also lectured at the Pacific Coast School of Banking at the University of Washington, the Banking School of the South at Louisiana State University, the Southwestern Graduate School of Banking in Dallas, the Banking School at Princeton and at many state and regional banking schools and conventions.

Born in Charlotte, North Carolina, December 19, 1896, Mr. Neal received a B.A. degree from Davidson College. He began his banking career with the Charlotte National Bank and in 1929 became Director of Public Relations for the Wachovia Bank and a vice president in 1934.

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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.

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. Those submitting 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 for the additional bills dated November 5, 1959, ( 91 days remaining until maturity date on May 5, 1960 ) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 February 4, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 4, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, January 28, 1960.
(xkx)

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,400,000,000 (x2x), or thereabouts, for cash and in exchange for Treasury bills maturing February 4, 1960 (x3x), in the amount of $1,400,466,000 (x4x), as follows:

91 (x5x) -day bills (to maturity date) to be issued February 4, 1960 (x6x), in the amount of $1,000,000,000 (x7x), or thereabouts, representing an additional amount of bills dated November 5, 1959 (x8x), and to mature May 5, 1960 (x9x), originally issued in the amount of $ 400,106,000 (x10x), the additional and original bills to be freely interchangeable.

182 (x11x) -day bills, for $ 400,000,000 (x12x), or thereabouts, to be dated February 4, 1960 (x13x), and to mature August 4, 1960 (x14x).

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, February 1, 1960 (x15x). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT



WASHINGTON. D.C.

RELEASE A. M. NEWSPAPERS,
Thursday, January 28, 1960 A-745

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,400,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 4, 1960, in the amount of $1,400,466,000 as follows:

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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.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE,
Thursday, January 28, 1960.

A-746

The Treasury Department will offer on February 1:

4-7/8 percent one-year certificates of indebtedness to be dated February 15, 1960, and to mature February 15, 1961, at par; and
4-7/8 percent 4-year 9-month Treasury notes to be dated February 15, 1960, and to mature November 15, 1964, at 99.75% of face value, to yield about 4.93 percent,

to holders of:

\$11,363 million of 3-3/4 percent Treasury Certificates of Indebtedness of Series A-1960, maturing February 15, 1960; and
\$198 million of 1-1/2 percent Treasury Notes of Series EA-1960, maturing April 1, 1960.

Cash subscriptions will not be received.

Interest on the new certificates will be payable on August 15, 1960, and February 15, 1961. Interest on the new notes will be payable May 15 and November 15 in each year until the principal amount is payable.

Exchanges of the maturing 3-3/4 percent Treasury certificates will be made for a like face amount of the eligible securities as of February 15. Coupons dated February 15 on the maturing certificates should be detached by holders and cashed when due. A cash payment of \$2.50 per \$1,000 face value of the new 4-7/8 percent notes, representing the discount from the face value, will be paid upon issuance of the notes to holders electing to exchange for such notes.

Exchanges of the 1-1/2 percent Treasury Notes of Series EA-1960 will be made for a like face amount of the eligible securities as of February 15. Interest on the 1-1/2 percent Series EA-1960 notes will be adjusted as of March 15, 1960. Coupons dated April 1 on the Series EA notes should be attached to the notes when surrendered, and interest from October 1 to March 15 will be credited, interest from February 15 to March 15 on the new certificates or notes will be charged, and the difference will be paid to subscribers following acceptance of the notes.

The subscription books will be open only on February 1 through February 3 for the receipt of subscriptions for these issues. Any subscription for either issue addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight, February 3, will be considered as timely.

The 4-7/8 4-year 9-month notes will be made available in registered form, as well as bearer form.

Assistant Secretary of the Treasury T. Graydon Upton, who as United States Executive Director of the Bank represented the United States in the negotiations, will continue to be closely associated with the further United States activities relating to the establishment of the IDA.

less developed member countries on terms not now available from any international lending body. The United States, therefore, was pleased to be able to introduce at the 1959 annual meeting of the Bank a resolution calling upon the Executive Directors to draw up Articles of Agreement. We are very hopeful that this new institution, affiliated with the Bank, can make loans which will further the objectives of that institution.

We attach great importance to the fact that financial participation is required of all members of the Association and also that the provision of a large share of the total subscriptions will come from the other more developed nations. Total initial subscriptions in the new institution amount to $1 billion, payable over a 5-year period. The U. S. subscription would be $320.29 million, while the subscriptions of the other economically stronger members total $442.78 million.

The United States' participation in the International Development Association requires approval by the Congress. The President's budget, sent to the Congress recently, noted that legislation authorizing U. S. participation and making financial provision for membership will be transmitted to the Congress ~~of~~ at the appropriate time.

Store OK by RBA 100

Draft - ~~12.15~~ 5:00 P.M.
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A-747

STATEMENT BY SECRETARY ~~ANDERSON~~ Robert B. State

We are gratified at the successful completion of the negotiations of the Articles of Agreement of the International Development Association, which are now being transmitted by the International Bank for Reconstruction and Development to each of its 68-member governments.

Conclusion of these negotiations and submission of the proposed Articles represents a major step in bringing the new institution into being. The United States is particularly pleased about the progress of the negotiations, inasmuch as President Eisenhower in a letter on August 26, 1958, suggested that "such an affiliate of the International Bank, if adequately supported by a number of countries able to contribute, could provide a useful supplement to the lending activities of the Bank and thereby accelerate the pace of economic development in less developed member countries of the Bank."

Discussions with member countries of the Bank, both before and during the annual meeting of the Bank and Fund at New Delhi in the Fall of 1958, indicated that there was considerable support for establishment of a new multilateral institution as an affiliate of the Bank to finance economic development in

# TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS
Monday, February 1, 1960

A-747

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leadership -- financially, economically, and in a military sense. Yet it is still true -- and possibly in a more immediate sense than ever before -- that the future of freedom is "intrusted to the hands of the American people."

What does this mean in practical terms, in our own times? It means that we must maintain an economic position of impregnable strength. Now, as in 1789, fiscal soundness is basic to economic strength. History shows us that every nation which has ignored this lesson has had to pay for its mistake in a long and bitter battle to retrieve position. I can see no evidence whatever that our own generation can provide an exception.

Just as the founders of our country perceived for their own time, so we too must recognize that a government can do none of the things which are necessary and desirable for a sustained period unless it is supported by a sound economy based on sound money. Only under these conditions can the necessary and desirable programs of the government - be they military security, general services to the public, or mutual assistance to our allies -- long be maintained for the enduring benefit of all Americans.

Moreover, we must recognize that not growth as an end in itself but growth in the output of goods and services people want and need must be the primary goal of economic policy. Sustained growth of this nature in the future depends heavily on a high rate of saving and capital formation today. It requires that the monetary unit in which investments are made and savings accumulated command confidence at home and abroad. Our rate of growth will be small indeed if fear of inflation is allowed to impair the will to save in traditional dollar forms. Inflation, either creeping or rapid, is the enemy of growth.

With prudent management of our affairs, both public and private, there is every reason for great confidence in our future. Certainly our economy is growing vigorously. Certainly our vast natural resources, and the vision and inventiveness of our people give real hope for tremendous progress in the years ahead. If we act properly, there is no reason why we should not move strongly ahead, on the foundations established by our early leaders to the greatest opportunities in our history.

As we go about our present tasks, both at home and in the performance of our international duties, we would do well to recall the words of Washington in a letter addressed to Lafayette in 1783; "We stand, now, an Independent People....We are placed among the nations of the Earth, and have a character to establish; but how we shall acquit ourselves, time must discover." Thirteen years later, in his Farewell Message, Washington addressed this question to the people: "Is there a doubt, whether a common Government can embrace so large a sphere? Let experience solve it....It is well worth a full and fair experiment."

We in our generation can have no higher goal than that of performing our part in this experiment in a manner worthy of our great heritage.

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These, then, were the essentials of the program of financial integrity which the President and the Secretary of the Treasury put before the Nation -- restoration of public credit, the adoption of adequate measures for maintaining it in a sound condition, and economy in Government thereafter. On this program, Hamilton was convinced, depended not only the Government's financial soundness, but the future prosperity of the entire country. Hamilton, in fact, was far ahead of his time in perceiving the importance of credit in fostering the growth of a new and under developed Nation as well as the close relationship between the Government's financial condition and monetary conditions in the private economy. "Public and private credit are closely allied, if not inseparable," he wrote in his second report urging support for sound financial principles. "A shock to public credit....by the.... disorders, distrusts, and false principles, which it would engender and disseminate," would undermine private credit also; for "Credit is an entire thing; every part of it has the nicest sympathy with the other part; wound one limb, and the whole tree shrinks and decays."

In the light of our long experience in wrestling with monetary and credit problems in the years since Hamilton's program was undertaken -- and in the light of experiences in other countries also -- it would seem that we should have arrived at a more profound wisdom on these matters than the founders of our country could have possessed. But I believe that it would be difficult to find anywhere a clearer statement of principle applicable to our own times than was set forth in the documents and programs of Washington's first and second administrations. The details of the programs required for fiscal and economic soundness have indeed changed. But the guiding precepts are as applicable to current problems as they were 175 years ago.

We are hearing now, for example, that inflation has little or no bearing on prosperity; that we should, by public expenditure, force an ever more rapid expansion in the American economy -- regardless of whether these expenditures can be paid for out of revenue or not. We are being told that inflation in modern times is a "new inflation," and that old principles for maintaining price stability do not apply.

But the plea for excessive deficit spending as a national policy is far from new. I suppose really it is about as old as government itself. But to look back only into our own history, we find Hamilton toward the end of his first "Report on the Public Credit" speaking out against those who urge that, once the war debts are funded, "public debts are public benefits." In the view of Hamilton, this is "a position inviting to prodigality, and liable to dangerous abuse;" a position that holds the possibility of undermining all that had been accomplished in building the financial character of the Nation up to that time.

In the years since the formation of the union we have passed from the position of a small and weak debtor Nation to one of world

Perhaps no more courageous step was ever taken by a financial statesman than Hamilton's action committing the country to accept its obligations in full. "....The true definition of public debt is a property subsisting in the faith of the Government," Hamilton wrote. "It's essence is promise. It's definite value depends upon the reliance that the promise will be definitely fulfilled....".

We may take note of that phrase, "definitely fulfilled" -- not evaded or postponed in some vague way to the future. Nor settled in a currency debased by inflation. And in this as in other matters affecting the public credit, Hamilton was supported by the great moral force of George Washington. Debts may be incurred in "unavoidable wars" the President observed at a later time, looking back over the early problems of the Government. But the country should make "vigorous exertions in time of peace to discharge the debts .... not ungenerously throwing upon posterity the burden, which we ourselves ought to bear." Good faith -- responsibility -- trustworthiness -- these were the precepts which the leaders of the new Nation felt must be built into the very foundation of a Government resting on reason and truth, if that Government was to last.

Then as now, there was no magic formula. "....it is essential that you should practically bear in mind," Washington told his fellow citizens in his Farewell Address, "that towards the payment of debts there must be Revenue; that to have Revenue there must be taxes; that no taxes can be devised, which are not more or less inconvenient and unpleasant...."

Hamilton, in his second "Report on the Public Credit," had expressed the same thought a little differently. "To extinguish a debt which exists, and to avoid contracting more," he observed rather drily, "are ideas always favored by public feeling and opinion; but to pay taxes for one or the other purpose....is always, more or less, unpopular." Hence it is common, he added, "to see the same men clamoring for occasions of expense," who are also "....declaiming against a public debt, and for the reduction of it as an abstract thesis; yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new." Allowing for the formality of eighteenth century language, it must be admitted that this comment is pertinent to many situations encountered today. But, as Hamilton adds, "These contradictions are in human nature."

The second financial principle then -- following on a sound funding of all just debts -- was a public revenue sufficient to cover the debt management program as well as the necessary expenses of Government. And finally, there was the inescapable third measure -- "true economy and system in the public expenditures" which would make it necessary to resort to credit, as Washington pointed out, "as sparingly as possible. Even Jefferson, whose views differed from those of Hamilton in so many respects, stated in unequivocal terms: "I am for a Government rigorously frugal and simple, applying all the possible savings of the public revenue to the discharge of the public debt."

Today, there are indications that the sound money question may become one of the great issues of the 1960's. Because of the far-reaching implications of this issue, we cannot remind ourselves too often of the basic principles which are at stake. It is for this reason that I would like to review with you today some of the financial traditions which we inherited along with the Declaration of Independence and the Constitution.

The first financial principle which had to be established in word and fact by the new Government of the United States was that all proper debts incurred during the revolutionary period must be acknowledged in full and "funded" into obligations of the Federal Government.

No patriotic American of those days regretted the cost of the war. It was "the price of liberty," as Hamilton put it. There had been a serious inflation. Credit was virtually destroyed, both at home and abroad. The States were strongly opposed to taxation by Federal authority. Bonds representing the national debt were selling in the market at 10 cents on the dollar or less. Money was needed immediately both to pay the expenses of the new Government and to meet the demands of foreign creditors.

Backed by the President, and in the face of an often hostile public opinion, Hamilton set out not only to establish the public credit and the currency of the United States on a sound basis, but to educate the Nation on the importance of this step. The French statesman Talleyrand, returning to France after a visit to America in the early days of the republic, remarked to friends that it was one of the "wonders of the world" to see Alexander Hamilton -- whom he called "a man who has made the future of a Nation" -- laboring all night at the problems he was trying to solve. Passing the Secretary's office in Philadelphia late one evening, Talleyrand had seen the light burning -- and then had found Hamilton hard at work early in the morning. To appreciate this incident -- and many similar ones -- we may recall Washington's words:

"Whatever my own opinion may be," the President wrote, "....it always has been....my earnest desire to learn, and, as far as is consistent, to comply with, the public sentiment." But "it is....only,... after time has been given for cool and deliberate reflection, that the real voice of the people can be known." Hamilton, in his "Reports on the Public Credit," set out to provide the strongest possible basis for cool and deliberate reflection.

First of all, he strove to make clear the fundamental importance to the new Nation of an unassailable credit position. On the day that Hamilton took office the Government was faced with bills for $78 million -- a towering sum in those days, and a burden of debt which many people felt the country would be incapable of undertaking. Repudiation of the debt in whole or in part was strongly urged.

weighed by the distinguished group serving in the Virginia House of Burgesses in the years just before the formation of the Union. Washington, Jefferson, Patrick Henry, Richard Henry Lee -- these were among the illustrious citizens of Virginia who met together informally in this city and worked together in the House of Burgesses to the end that the first truly free Government in the history of the world should "stand firm on its bottom."

"To form a new Government requires infinite care and unbounded attention," Washington wrote, shortly after he had left Virginia to take command of the army, "....for if the foundation is badly laid the superstructure must be bad. Too much time, therefore, cannot be bestowed in weighing and digesting matters well." Commenting later on the Virginia act for religious freedom, Jefferson wrote to Madison from his post in Paris that Virginians should be proud of having produced "the first legislature who had the courage to declare, that the reason of man may be trusted with the formation of his own opinions...." And considering these matters later, Jefferson added, "....No experiment can be more interesting than that we are now trying, and which we trust will end in establishing the fact, that man may be governed by reason and truth."

A free people, governing themselves on the basis of reason and truth -- that was the foundation stone of the new edifice. But let us remember that those who formulated the principles of the new Government were eminently practical men. They had to be. For they were not only building a structure which was entirely new, and which they meant to last; they were building for humanity. "Our cause is noble. It is the cause of mankind...." wrote Washington during the dark days of 1779. And again, in his first inaugural address, the President reaffirmed his deeply felt belief that liberty itself, as well as "the republican model of Government," is "finally, staked on the experiment intrusted to the hands of the American people."

It was in this spirit of dedication to the future that the members of the new Government settled down to tackle the hard problems of the present. Not the least of these was the question of sound money and the public credit.

Does this issue sound familiar? Not only today, but on many other occasions in the past 175 years, the sound money question has been in the forefront of public discussion. The persistence of this issue in the changing economic scene is simply another illustration of the fact that the great principles of political freedom and self-Government do not perpetuate themselves automatically. Each generation must earn all over again its heritage of freedom. A Government of reason means that its people must make the hard decisions, under ever-changing circumstances, to grapple with difficult problems as they appear. They cannot delude themselves with the mistaken belief that such problems can safely be passed on to the future.

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS,
Saturday, January 30, 1960.

REMARKS BY SECRETARY OF THE TREASURY ROBERT B. ANDERSON BEFORE THE JOINT ASSEMBLY OF THE VIRGINIA LEGISLATURE, COMMEMORATIVE SESSION, WILLIAMSBURG, VIRGINIA, JANUARY 30, 1960, 12:00 NOON, EST.

I am honored to participate in this commemorative meeting of the oldest continuous elective body in existence in the free world.

With every nation the edifice of Government, like the structure of buildings, rests on certain essential foundations. Every nation from time to time must reaffirm its values and its sense of purpose by re-examining the principles on which its structure of Government stands.

You in the Virginia legislature have a distinguished ancestry in the history of our Government. The Virginia House of Burgesses, which once met in this hall, became the pattern for many of the States of the Union and for the United States. Certainly no area of the country has contributed more to the foundations of our Government than the Commonwealth of Virginia.

I should like to pay a special tribute to the contribution to maintaining the foundations of our Government provided by the leadership of the distinguished delegates of Virginia to the Congress of the United States. Your senators serve as outstanding chairmen on some of the most responsible committees of the Congress and several members of the House of Representatives contribute with equal significance in their chairmanship of committees with whom the Treasury is directly concerned. The Congressional delegation from Virginia and the other distinguished leaders of your State represent the highest traditions of sound government in action.

A Virginian wrote the Declaration of Independence, which placed clearly before the world not only the justification for our revolt against foreign tyranny but the "new Guards" which were to be established against tyranny in the future. A Virginian inspired the fighting spirit of the American army through the ringing words of Patrick Henry. And from Virginia came the great American who was first Commander-in-Chief, first President, and for many years before that a member of this legislative body.

We may be sure that almost every phase of the Government which later emerged as that of the United States of America was carefully

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We may be sure that almost every phase of the Government which later emerged as that of the United States of America was carefully weighed by the distinguished group serving in the Virginia House of Burgesses in the years just before the formation of the Union. Washington, Jefferson, Patrick Henry, Richard Henry Lee -- these were among the illustrious citizens of Virginia who met together informally in this city and worked together in the House of Burgesses to the end that the first truly free Government in the history of the world should "stand firm on its bottom."

"To form a new Government requires infinite care and unbounded attention," Washington wrote, shortly after he had left Virginia to take command of the army, "....for if the foundation is badly laid the superstructure must be bad. Too much time, therefore, cannot be bestowed in weighing and digesting matters well." Commenting later on the Virginia act for religious freedom, Jefferson wrote to Madison from his post in Paris that Virginians should be proud of having produced "the first legislature who had the courage to declare, that the reason of man may be trusted with the formation of his own opinions...." And considering these matters later, Jefferson added, "....No experiment can be more interesting than that we are now trying, and which we trust will end in establishing the fact, that man may be governed by reason and truth."

A free people, governing themselves on the basis of reason and truth -- that was the foundation stone of the new edifice. But let us remember that those who formulated the principles of the new Government were eminently practical men. They had to be. For they were not only building a structure which was entirely new, and which they meant to last; they were building for humanity. "Our cause is noble. It is the cause of mankind...." wrote Washington during the dark days of 1779. And again, in his first inaugural address, the President reaffirmed his deeply felt belief that liberty itself, as well as "the republican model of Government," is "finally, staked on the experiment intrusted to the hands of the American people."

It was in this spirit of dedication to the future that the members of the new Government settled down to tackle the hard problems of the present. Not the least of these was the question of sound money and the public credit.

Does this issue sound familiar? Not only today, but on many other occasions in the past 175 years, the sound money question has been in the forefront of public discussion. The persistence of this issue in the changing economic scene is simply another illustration of the fact that the great principles of political freedom and self-Government do not perpetuate themselves automatically. Each generation must earn all over again its heritage of freedom. A Government of reason means that its people must make the hard decisions, under ever-changing circumstances, to grapple with difficult problems as they appear. They cannot delude themselves with the mistaken belief that such problems can safely be passed on to the future.

Today, there are indications that the sound money question may become one of the great issues of the 1960's. Because of the far-reaching implications of this issue, we cannot remind ourselves too often of the basic principles which are at stake. It is for this reason that I would like to review with you today some of the financial traditions which we inherited along with the Declaration of Independence and the Constitution.

The first financial principle which had to be established in word and fact by the new Government of the United States was that all proper debts incurred during the revolutionary period must be acknowledged in full and "funded" into obligations of the Federal Government.

No patriotic American of those days regretted the cost of the war. It was "the price of liberty," as Hamilton put it. There had been a serious inflation. Credit was virtually destroyed, both at home and abroad. The States were strongly opposed to taxation by Federal authority. Bonds representing the national debt were selling in the market at 10 cents on the dollar or less. Money was needed immediately both to pay the expenses of the new Government and to meet the demands of foreign creditors.

Backed by the President, and in the face of an often hostile public opinion, Hamilton set out not only to establish the public credit and the currency of the United States on a sound basis, but to educate the Nation on the importance of this step. The French statesman Talleyrand, returning to France after a visit to America in the early days of the republic, remarked to friends that it was one of the "wonders of the world" to see Alexander Hamilton -- whom he called "a man who has made the future of a Nation" -- laboring all night at the problems he was trying to solve. Passing the Secretary's office in Philadelphia late one evening, Talleyrand had seen the light burning -- and then had found Hamilton hard at work early in the morning. To appreciate this incident -- and many similar ones -- we may recall Washington's words:

"Whatever my own opinion may be," the President wrote, "....it always has been....my earnest desire to learn, and, as far as is consistent, to comply with, the public sentiment." But "it is....only,.... after time has been given for cool and deliberate reflection, that the real voice of the people can be known." Hamilton, in his "Reports on the Public Credit," set out to provide the strongest possible basis for cool and deliberate reflection.

First of all, he strove to make clear the fundamental importance to the new Nation of an unassailable credit position. On the day that Hamilton took office the Government was faced with bills for $78 million -- a towering sum in those days, and a burden of debt which many people felt the country would be incapable of undertaking. Repudiation of the debt in whole or in part was strongly urged.

Perhaps no more courageous step was ever taken by a financial statesman than Hamilton's action committing the country to accept its obligations in full. "....The true definition of public debt is a property subsisting in the faith of the Government," Hamilton wrote. "It's essence is promise. It's definite value depends upon the reliance that the promise will be definitely fulfilled....".

We may take note of that phrase, "definitely fulfilled" -- not evaded or postponed in some vague way to the future. Nor settled in a currency debased by inflation. And in this as in other matters affecting the public credit, Hamilton was supported by the great moral force of George Washington. Debts may be incurred in "unavoidable wars" the President observed at a later time, looking back over the early problems of the Government. But the country should make "vigorous exertions in time of peace to discharge the debts .... not ungenerously throwing upon posterity the burden, which we ourselves ought to bear." Good faith -- responsibility -- trustworthiness -- these were the precepts which the leaders of the new Nation felt must be built into the very foundation of a Government resting on reason and truth, if that Government was to last.

Then as now, there was no magic formula. "....it is essential that you should practically bear in mind," Washington told his fellow citizens in his Farewell Address, "that towards the payment of debts there must be Revenue; that to have Revenue there must be taxes; that no taxes can be devised, which are not more or less inconvenient and unpleasant...."

Hamilton, in his second "Report on the Public Credit," had expressed the same thought a little differently. "To extinguish a debt which exists, and to avoid contracting more," he observed rather drily, "are ideas always favored by public feeling and opinion; but to pay taxes for one or the other purpose....is always, more or less, unpopular." Hence it is common, he added, "to see the same men clamoring for occasions of expense," who are also "....declaiming against a public debt, and for the reduction of it as an abstract thesis; yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new." Allowing for the formality of eighteenth century language, it must be admitted that this comment is pertinent to many situations encountered today. But, as Hamilton adds, "These contradictions are in human nature."

The second financial principle then -- following on a sound funding of all just debts -- was a public revenue sufficient to cover the debt management program as well as the necessary expenses of Government. And finally, there was the inescapable third measure -- "true economy and system in the public expenditures" which would make it necessary to resort to credit, as Washington pointed out, "as sparingly as possible." Even Jefferson, whose views differed from those of Hamilton in so many respects, stated in unequivocal terms: "I am for a Government rigorously frugal and simple, applying all the possible savings of the public revenue to the discharge of the public debt."

These, then, were the essentials of the program of financial integrity which the President and the Secretary of the Treasury put before the Nation -- restoration of public credit, the adoption of adequate measures for maintaining it in a sound condition, and economy in Government thereafter. On this program, Hamilton was convinced, depended not only the Government's financial soundness, but the future prosperity of the entire country. Hamilton, in fact, was far ahead of his time in perceiving the importance of credit in fostering the growth of a new and under developed Nation as well as the close relationship between the Government's financial condition and monetary conditions in the private economy. "Public and private credit are closely allied, if not inseparable," he wrote in his second report urging support for sound financial principles. "A shock to public credit....by the.... disorders, distrusts, and false principles, which it would engender and disseminate," would undermine private credit also; for "Credit is an entire thing; every part of it has the nicest sympathy with the other part; wound one limb, and the whole tree shrinks and decays."

In the light of our long experience in wrestling with monetary and credit problems in the years since Hamilton's program was undertaken -- and in the light of experiences in other countries also -- it would seem that we should have arrived at a more profound wisdom on these matters than the founders of our country could have possessed. But I believe that it would be difficult to find anywhere a clearer statement of principle applicable to our own times than was set forth in the documents and programs of Washington's first and second administrations. The details of the programs required for fiscal and economic soundness have indeed changed. But the guiding precepts are as applicable to current problems as they were 175 years ago.

We are hearing now, for example, that inflation has little or no bearing on prosperity; that we should, by public expenditure, force an ever more rapid expansion in the American economy -- regardless of whether these expenditures can be paid for out of revenue or not. We are being told that inflation in modern times is a "new inflation," and that old principles for maintaining price stability do not apply.

But the plea for excessive deficit spending as a national policy is far from new. I suppose really it is about as old as government itself. But to look back only into our own history, we find Hamilton toward the end of his first "Report on the Public Credit" speaking out against those who urge that, once the war debts are funded, "public debts are public benefits." In the view of Hamilton, this is "a position inviting to prodigality, and liable to dangerous abuse;" a position that holds the possibility of undermining all that had been accomplished in building the financial character of the Nation up to that time.

In the years since the formation of the union we have passed from the position of a small and weak debtor Nation to one of world leadership -- financially, economically, and in a military sense. Yet it is still true -- and possibly in a more immediate sense than ever before -- that the future of freedom is "intrusted to the hands of the American people."

What does this mean in practical terms, in our own times? It means that we must maintain an economic position of impregnable strength. Now, as in 1789, fiscal soundness is basic to economic strength. History shows us that every nation which has ignored this lesson has had to pay for its mistake in a long and bitter battle to retrieve position. I can see no evidence whatever that our own generation can provide an exception.

Just as the founders of our country perceived for their own time, so we too must recognize that a government can do none of the things which are necessary and desirable for a sustained period unless it is supported by a sound economy based on sound money. Only under these conditions can the necessary and desirable programs of the government -- be they military security, general services to the public, or mutual assistance to our allies -- long be maintained for the enduring benefit of all Americans.

Moreover, we must recognize that not growth as an end in itself but growth in the output of goods and services people want and need must be the primary goal of economic policy. Sustained growth of this nature in the future depends heavily on a high rate of saving and capital formation today. It requires that the monetary unit in which investments are made and savings accumulated command confidence at home and abroad. Our rate of growth will be small indeed if fear of inflation is allowed to impair the will to save in traditional dollar forms. Inflation, either creeping or rapid, is the enemy of growth.

With prudent management of our affairs, both public and private, there is every reason for great confidence in our future. Certainly our economy is growing vigorously. Certainly our vast natural resources, and the vision and inventiveness of our people give real hope for tremendous progress in the years ahead. If we act properly, there is no reason why we should not move strongly ahead, on the foundations established by our early leaders to the greatest opportunities in our history.

As we go about our present tasks, both at home and in the performance of our international duties, we would do well to recall the words of Washington in a letter addressed to Lafayette in 1783; "We stand, now, an Independent People....We are placed among the nations of the Earth, and have a character to establish; but how we shall acquit ourselves, time must discover." Thirteen years later, in his Farewell Message, Washington addressed this question to the people: "Is there a doubt, whether a common Government can embrace so large a sphere? Let experience solve it....It is well worth a full and fair experiment."

We in our generation can have no higher goal than that of performing our part in this experiment in a manner worthy of our great heritage.

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TREASURY DEPARTMENT
Washington

STATEMENT BY JAY W. GLASMANN,
ASSISTANT TO THE SECRETARY, BEFORE
THE COMMITTEE ON WAYS AND MEANS OF THE
HOUSE OF REPRESENTATIVES, WITH RESPECT
TO THE TAXATION OF COOPERATIVES,
10:00 A.M., FEBRUARY 1, 1960

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I appreciate this opportunity to appear before your Committ to present the Treasury's views on the troublesome problem of taxation of cooperatives.

In the President's Budget Message last year and again this year, the President recommended amendments to the Internal Revenue Code to provide equitable taxation of cooperatives. As you know, during the past five years the Treasury has several times called to the attention of the Committee the fact that a series of court decisions have made largely ineffective the 1951 legislation which was intended to assure that all cooperative income would be taxed either to the cooperative or to its members as earned.

Corrective legislation is clearly needed because under existing law it is possible for a cooperative to exclude from its taxable income certain non-cash patronage dividends paid to its members which, at the same time, are not taxable to the members who receive them. As Secretary Anderson stated in testimony before your Committee on January 16, 1958, the Treasury Department, while

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fully aware of the importance of cooperatives to our agricultural and farming communities, believes that the cooperative's income should be taxed currently at either the cooperative or patron level and that legislation which is fair and reasonable, both from the standpoint of the availability of retained earnings for expansion and tax benefits to cooperative members, should be developed.

During the last session of the Congress, the Secretary of the Treasury submitted to the Congress a legislative proposal which was intended to insure the ultimate payment of a single tax on cooperative income and which, at the same time, would limit the cooperative's ability to expand from retained earnings that have not been taxed at the cooperative level.

The Treasury recommendations in this area were released to the public by your Committee last February and are embodied in H.R. 7875, a bill introduced last session by the late Representative Simpson of Pennsylvania. Under the Treasury's proposal, cooperatives would be permitted to deduct amounts paid to the patron during the taxable year if paid (1) in cash, or (2) in the form of "qualified" patronage certificates which bear interest at the rate of at least four percent and are redeemable in cash within three years. The patron would include in his income only the cash amounts received. At the time Secretary Anderson submitted this suggested method of taxing cooperative income, he also suggested that the Committee might want to consider other alternative methods of achieving a single tax liability for cooperative income which would provide an effective solution to the problem.

Before I discuss the Treasury proposal in detail, let me first make a few general observations about the cooperative form of doing business and how the present need for corrective legislation came about.

Operation of cooperatives

A cooperative is simply a type of business organization formed for the purpose of providing goods and services to its patron-owners or selling their products. While farmers' cooperatives are the principal type of cooperative association, almost any business can be carried on under the cooperative form. Thus, there are many cooperatives in this country which are not engaged in business relating to farming. These include urban consumer cooperatives, cooperative wholesaling businesses owned by retailers, and the like.

I want to emphasize again, the Treasury Department is fully aware of the importance of cooperatives to our agricultural and farming communities. It has long been national policy to encourage farmers to help themselves through cooperative associations which provide a means for farmers to joint together to obtain the advantages of volume and marketing strength, which the individual lacks.

Broadly speaking, the major tax difference between cooperatives and other forms of doing business lies in the special treatment which cooperatives enjoy with respect to amounts allocated as patronage refunds or dividends. Ever since 1914 cooperative organizations have been allowed to exclude from gross income patronage refunds paid or allocated to patrons on the basis of business done with the cooperative if such payments or allocations are made pursuant to pre-existing contractual obligations. This treatment is based upon long-standing Treasury rulings which hold that the refund payments or allocations are to be regarded as discounts or rebates which reduce the taxable net income of the cooperative.

While cooperatives are said to obligate themselves to return their net margins or savings (i.e., the excess of receipts over costs) to their patrons, this obligation is viewed by many as being a legal fiction in those cases where the patronage dividend takes the form of a book allocation rather than an actual distribution of cash or other property having any ascertainable value. In practice, the average farm cooperative pays more than half of its patronage refunds in non-cash or paper dividend form. These paper dividends may take the form of capital stock, interest or non-interest bearing certificates with or without due dates, allocation certificates, a promise to pay a stated amount of cash when so decided by the board of directors, or merely a notification that the patron has received "credit" upon the books of the organization. In our view, the critical issue before the Committee is the question of how to tax the net margins which are, in fact, retained by the cooperative although allocated or credited to the patron's account.

In retaining earnings through the use of non-cash patronage refunds, cooperatives often use a system called the "revolving fund" plan of financing. A 1957 publication of the Department of Agriculture indicates that of 1,157 farmer cooperatives studied, 62 percent were using the revolving fund method of operation. The revolving fund plan of financing is described in the report as follows:

> "Through the revolving capital plan individual patron's contributions of capital are allocated on the books of cooperatives for return to them at a later date. Patrons are generally advised of their individual equities in cooperative revolving funds at the close of each fiscal year. When, in the judgment of the manager and board of directors, sufficient capital has been built up, a cooperative may use current capital retains, savings, or operating margins to retire the oldest outstanding revolving fund contributions."1/

While practices vary widely, on the average cooperatives retain earnings for 9 or 10 years before redeeming the certificates which were issued against those earnings under the revolving fund system.

Recent studies by the Treasury Department of the returns of certain cooperatives for the five years 1954-58 also suggest the

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1/ Farmer Cooperative Service, U. S. Department of Agriculture, Methods of Financing Farmer Cooperatives, p. 39 (General Report 32, June 1957) extent to which cooperatives have expanded by retaining their earnings through the use of non-cash patronage dividends. These cases are tabulated in Table 1. Although the sample was of limited size, in some of the cases we found that cooperatives had retained their entire net margins over the five-year period with no cash refunds to patrons. In the aggregate, the cooperatives studied retained approximately 48 percent of their net margins.

The use of non-cash refunds to build up capital, as indicated above, has been used very extensively by cooperatives. The Department of Agriculture's 1957 study revealed that at the end of 1954 over 60 percent of the total equity of the 1,157 cooperatives studied was derived from retained earnings. The total of equity capital so retained by all farmers' cooperatives was about $1.2 billion by the end of 1954, if the 60 percent ratio for the sample studied by the Department of Agriculture prevailed for farmers' cooperatives as a whole. By this time the amount would be somewhat larger but data are not available as to exactly how much larger. The Department of Agriculture study, and a tabulation by the Treasury of cooperative income tax returns for 1953, indicated that in each of the years 1953 and 1954 farmers' marketing and purchasing cooperatives retained about $125 million of earnings by paying non-cash patronage refunds. It appears that in each of those years the farmers' cooperatives probably redeemed in cash about $60 or $65 million of previously issued non-cash patronage dividends, or an amount equal to about 50 percent of the new retentions. (Table 2).

In 1954, it is estimated by the Department of Agriculture, farmers' marketing and purchasing cooperatives had assets of $3.6 billion. The Department has also estimated that their gross volume of business was $13.5 billion in 1956. (Table 3). About $10.1 billion of this represented sales of farm products, or $8.0 billion on a net basis after eliminating sales between cooperatives.[1/] This $8 billion is over 25 percent of farmers' receipts from farm marketings and Government payments in that year.[2/]

Tax Treatment

For income tax purposes cooperatives are divided into three categories. Certain cooperatives are fully exempt from income tax under section 501 of the Internal Revenue Code. Generally, the fully-exempt cooperatives are public utility type organizations, the most notable being the rural electrification cooperatives. These section 501 or fully-exempt cooperatives are not affected by the Treasury's legislative proposal and no further mention will be made of them. A second group consists of the so-called exempt farmer marketing and purchasing cooperatives which are listed in section 521 of the Code. All other cooperatives are commonly

1/ Department of Agriculture, "Statistics of Farmer Cooperatives, 1956-57", p. 17.
2/ Department of Agriculture, "The Farm Income Situation".

referred to as taxable cooperatives although they are not specifically mentioned in the Internal Revenue Code.

Let me discuss taxable cooperatives first, since their tax treatment is basic to the whole existing approach to cooperative taxation.

A taxable cooperative, irrespective of its exact legal form, is considered a corporation for Federal income tax purposes. Its income and expenses are computed in the same manner as those of an ordinary corporation with the very important exception of the treatment of patronage dividends. The excess of receipts over costs constitutes the income of the organization and is taxable at ordinary income tax rates. Thus any dividends paid on capital stock must be paid from income previously subject to corporate income tax. Income from sources not directly related to the business carried on with patrons, such as capital gains, interest, rents, dividends on stock, and business done with the United States, also is taxable at the cooperative level. Income derived from business carried on with or for patrons is taxable at the cooperative level unless it is paid or allocated as a patronage refund pursuant to a pre-existing obligation in the year in which earned or by the time the corporate income tax return must be filed for such year.

As I previously indicated, ever since 1914 cooperative organizations have been allowed to exclude from gross income patronage refunds paid or allocated to patrons on the basis of business done with the cooperative if such payments or allocations are made pursuant to pre-existing contractual obligations. At the cooperative level, no attempt has been made by the Treasury to draw a distinction between patronage refunds paid in cash and in the form of stock, revolving fund certificates or other paper allocations. All such non-cash forms of distribution or allocation have been regarded as the equivalent of cash distributed to the patron and immediately reinvested by him in the cooperative association.

The exempt cooperative is a farmers', fruitgrowers', or like association which meets certain statutory requirements as to operation and financial structure. The so-called exempt cooperative is not actually fully tax exempt, since it may be taxed on some of its income unless allocated as patronage dividends. It does, however, have the following tax advantages which are not enjoyed by the non-exempt or taxable cooperative:

(1) Amounts distributed by it in payment of dividends upon capital stock (if not in excess of 8 percent) are deductible by it;

(2) Non-operating earnings (such as rents, interest, dividends on capital stock, etc.) distributed or allocated to its patrons upon a patronage basis are deductible by it; and

(3) Income derived from business with the United States and distributed or allocated to its patrons on a patronage basis are deductible by it.

As for the tax treatment of the patrons of the cooperative, the Treasury Department for a long time took the position that the patrons were required to report all patronage dividends (including paper distributions or allocations) as income provided the dividends were attributable to an income-producing transaction. Thus, if a farmer received a dividend attributable to the marketing of his farm products, he was expected to take it into income as an increase in receipts from the sale of his products. On the other hand, if he received a refund from a purchasing cooperative with respect to fertilizer which he bought, he was expected to reduce his deduction for the cost of the fertilizer on his return, or report the refund as income. Where the business transaction involved the purchase of a capital asset, such as a tractor, the cost basis of the asset had to be reduced by any patronage refund received thereon. In the case of patronage refunds attributable to personal living expense items, such as the purchase of food or clothing, however, the patron was not regarded as having received taxable income.

The fact that patronage refunds often are paid in paper which has no market value was disregarded and patrons were expected to report all non-cash patronage refunds at their face value. The theory was that the patrons had in effect received cash, or the right to cash, and then, under the terms of their membership with the cooperative, had reinvested such cash in the non-cash document actually received. This is known as the "immediate reinvestment theory".

The assumption by the Treasury that non-cash patronage refunds were taxable at full face value to the recipients in the year of receipt because such non-cash payments were evidences of the reinvestment of cash was cited with approval by the Congress in 1951. At that time Congress made certain changes in the tax status of "exempt" farmers' marketing and purchasing cooperatives, which were expected to result in current taxation at either the cooperative or patron level of all cooperative income, except that related to personal purchases by patrons. But the effectiveness of the immediate reinvestment theory was being tested in the courts even before the Revenue Act of 1951 became effective.

As I stated earlier, the court decisions have now nullified the intent of the 1951 legislation and have held that the patron does not realize income upon receipt of a non-cash document having no market value. These decisions essentially result in a holding that the immediate reinvestment theory is unrealistic in that the patrons have no alternative but to take the non-cash patronage refund in view of the discretion in the board of directors of the cooperative to determine the form of the refund to be paid and the terms of payment. This position was stated very clearly by the Court in Long Poultry Farms, Inc. v. Commissioner, 249 F.2d 726 (5th Cir. 1957). There the Court said:

> "It is argued that under implied agreement arising out of the provisions of the bylaws taxpayer in effect received in cash the amount of the credit and reinvested it in the revolving fund of the cooperative; but this is simply to exalt fiction and ignore reality."
> 249 F. 2d at 728.

As a result of the various adverse court decisions, the Internal Revenue Service announced on February 14, 1958 that it would no longer attempt to assess an income tax on patrons with respect to non-cash patronage refunds having no market value. The income tax regulations, under both the 1939 and 1954 Codes, have since been revised to reflect this change in position. In view of the obvious intent of the 1951 legislation, the Treasury Department continued to allow all patronage refunds paid under pre-existing contracts to be excluded by cooperatives. Thus, at the present time, cooperatives are permitted to exclude from gross income non-cash patronage dividends of a character which are not taxable to the patron.

Policy Reasons for Legislation

The Treasury Department believes that the full deduction now allowed to cooperatives for all forms of non-cash patronage refunds affords them an unwarranted tax advantage over many competing businesses. A growing business ordinarily finances all or a large part of its additional capital needs from retained earnings. Cooperatives are just like other businesses in this respect, except that under present circumstances they can expand on before tax earnings, whereas competing forms of business enterprise must depend upon after tax income and outside capital for this purpose. Thus, the larger corporation subject to the maximum corporate rate of 52 percent would need to earn twice as much as a cooperative to retain an equal amount for expansion. The smaller corporation subject to the 30 percent rate would need to earn 43 percent more than a cooperative to have the same amount left after tax.

It should be noted that the average business corporation is actually somewhat smaller than the average cooperative, in terms of assets and dollar volume of business. (Tables 4 and 5). The average farmers' marketing and purchasing cooperative did over $1 million worth of business in 1956. The average corporation had receipts of less than $750,000. A greater proportion of corporations in general also fall into the small category when size of assets is considered. About 40 percent of all corporations filing balance sheets with their 1956 income tax returns had assets of less than $50,000. The latest Treasury tabulation of farmers' marketing and purchasing cooperatives' tax returns, which was for 1953, shows that only 28 percent of the cooperatives had assets of less than $50,000.

In many cases a local cooperative may be competing with a small corporation engaged in the same business. Such a local business with equity of, say, from $50,000 to $250,000 is at a relative disadvantage in expanding its facilities since it has to pay corporate tax on its earnings. Of course, certain of these corporations (if owned by no more than ten individual shareholders) may now elect under subchapter S to be taxed as proprietorships or partnerships thus eliminating the corporate tax and reducing in such cases the advantage now enjoyed by the cooperative. The election under subchapter S, however, is conditioned upon all the shareholders filing an election with the Treasury wherein they agree with the Treasury to be taxed on the corporate income. Moreover, as noted earlier, under present law a large part of cooperative income is not taxed when it is earned either to the cooperative or to its patron owners. This situation is unfair both to competing businesses and to taxpayers in general.

At this point I might add that while there are very good policy reasons for granting some form of favorable tax treatment for farmers' marketing and purchasing cooperatives, there appears no such policy reasons for affording such relief to the non-farmer cooperative which competes with ordinary business corporations. Perhaps, as to these other cooperatives deduction should be allowed only for patronage refunds paid in cash or merchandise; this method of taxing cooperatives is sometimes referred to as the "cash compromise".

## Various Proposals

As you know, a variety of other proposals dealing with the taxation of cooperatives has been presented to this Committee. Many of these proposals were discussed before this Committee last December by panelists in the Tax Revision hearings. I would like to comment briefly on some of the principal considerations involved in three of the more important proposals.

One proposal is presently before this Committee in the form of H. R. 3848, a bill introduced by Congressman Davis. Under this proposal, no patronage refunds would be deductible by a cooperative and all of the income of the cooperative would be subject to a tax at the applicable corporate rate. The patrons, however, would be allowed a credit against tax for the amount of tax paid by the cooperative if they elected to include in income the amount of tax paid by the cooperative with respect to the patronage refund they received. This proposal is apparently patterned after the British income tax approach to corporate dividends. In most cases the corporate income will be subject to a higher tax rate in the hands of the cooperative than in the hands of the farmer so that the farmer will benefit by claiming the tax credit.

Those favoring this type of proposal argue that tax equity requires that cooperatives pay the corporate tax on their net margins before patronage dividends. They argue that patronage dividends more closely resemble corporate dividends than price rebates or adjustments; that much of the net margin is attributable to manufacturing facilities and other capital investments and that part of the cooperative net margin arises from business transactions between the cooperative and non-patrons.

On the other hand, this proposal raises the question of whether all net margins are income of the cooperative. A technical problem may also be presented by the proposal because of the structure of our corporate tax system. Unlike the British tax system which has a single tax rate, as applied to dividends received by a stockholder, under our law, we have two tax rates. The first $25,000 of corporate income is taxed at the 30 percent rate, and all income in excess of $25,000 is taxed at the 52 percent rate. For this reason, there may be a problem in determining the effective tax to be claimed as a credit by the patrons of the cooperatives.

As you know, many cooperatives are urging the Congress to enact legislation designed to accomplish the intent of the 1951 Act by taxing patrons, under the reinvestment theory, on all patronage allocations. It is argued that cooperatives have no income, that the cooperative is merely an agent for the patrons, that it is similar to a partnership, or that a debtor-creditor relationship exists between the cooperative and its patrons which precludes the existence of taxable income at the cooperative level. We believe that such arguments ignore the realities. The cooperative frequently takes title to the goods it sells and determines the prices at which they shall be sold. The amounts returned to a patron are not determined by the profit or loss realized by the cooperative with respect to goods received from that patron, but rather by the over-all profits or losses of the business. The discretion vested in the directors of the cooperative as to the amount and form of payment the patron will receive is so broad that, in our judgment, the "fixed obligation" to make patronage refunds has no substance for Federal tax purposes.

Enactment of the immediate reinvestment theory into law will create three serious problems: First, it will operate inequitably; second, it will create serious administrative problems; and finally, it may raise a constitutional problem.

First, the farmer will be required to include in income amounts which he does not in fact receive. This will raise a serious question of equity since the farmer will have the burden of raising money to pay a tax on the non-cash patronage refunds which will be includable in his income. As the Court said in the Long Poultry Farms case, "Apart from the question of constitutionality of such a requirement, which would be a serious one, it is a safe assumption that Congress never intended to impose upon the patrons of cooperatives the hardship and burden which the taxability of these contingent credits would involve."

Second, there would naturally be serious administrative difficulties in collecting the tax from many farmers who might not have the funds needed to discharge their liability, and who might also find it difficult to believe that the paper allocations were actually regarded as taxable income to them.

Finally, there would be a constitutional question as to the validity of such legislation. The courts have already held that non-cash patronage refunds which have no market value do not constitute income to the farmer. The paper which the farmer receives is often non-transferable and its redemption terms are so much subject to the discretion of the board of directors of the cooperative that the courts have held the immediate reinvestment theory to have no reality. In Commissioner v. Carpenter, 219 F. 2d 265 (5th Cir. (1955)), the Court said:

> "It is abundantly clear that the taxpayer's receipt of revolving fund certificates was not the equivalent of the actual receipt of cash, because the certificates had no fair market value. Furthermore, it is obvious that the funds withheld by the cooperative were not subject to the demand of the respondent. The respondent could control neither the amount of the funds that he would ultimately receive nor the time at which he might receive them. These matters were left to the discretion of the cooperative's directors, and even the directors could not

> pay off the certificates without written consent of the mortgagee. Therefore, the respondent never actually or constructively received or had any right to receive anything but the certificates. It is fundamental in income taxation that, before a cash basis taxpayer may be charged with the receipt of income, he must receive cash or property having a fair market value, or such cash or property must be unqualifiedly subject to his demand. We are of the opinion that the certificates, when issued to the respondent, did not constitute income." 219 F.2d at 636.

The representatives of cooperatives argue that one of the reasons for the court decisions is the fact that the by-laws or marketing agreements of the cooperatives are not properly drawn. I can only say that it is difficult to conceive of a more clearly drawn by-law which attempts to put into effect the reinvestment theory than that found in the Long Poultry Farms case where the court refused to accept the validity of the theory.

In the tax field, as you know, the courts do not mechanically accord controlling effect to the language of a legal document in determining the tax consequences of a transaction. The court in the Long Poultry Farms case recognized this when it stated:

> "'Economic realities, not legal formalities, determine tax consequences.' The truth is that the taxpayer never received anything except a credit on the cooperative's books which did not entitle it to receive anything except upon the conditions enumerated, and only then if the directors of the cooperative should so determine." 249 F.2d at 728.

A number of the panelists who discussed the subject of cooperatives before this Committee in the Tax Revision hearings suggested that a cooperative be taxed on profits derived from any business activities which are distinct from its essential purposes. An analogy was drawn to the tax now imposed on the income of certain exempt organizations. Certainly this proposal merits consideration by your Committee, although it may present troublesome administrative problems.

We believe that the proposal offered by the Treasury, embodied in H. R. 7875, avoids some of the difficulties encountered in the various other proposals. Under H. R. 7875, cooperatives would be allowed a deduction for patronage refunds paid in cash or in the form of a document constituting an unconditional promise to pay in cash the face amount thereof, with interest at the rate of four percent per annum, within three years after the close of the taxable year. Patronage refunds allocated and represented by documents which do not meet these requirements would be deductible when paid in cash. Exempt cooperatives will still be permitted to deduct dividends paid on capital stock and they would also be permitted to deduct payments or allocations of income not derived from patronage which are paid in the same form as deductible patronage refunds.

The Treasury's proposal has a number of objectives. It is intended (1) to assure approximate current taxation of all cooperative income, (2) to restrict to a reasonable degree the competitive advantages cooperatives now have of expansion on untaxed retained earnings, (3) to ease the compliance problems of patrons, and (4) to simplify administration of the law for the Treasury.

Under the Treasury proposal, all cooperative income would be taxed currently either to the cooperative or its patrons except to the extent that it is allocated to patrons in the form of interest-bearing documents redeemable in three years. Even as to these documents, payment of tax by either the cooperative or the patron cannot be deferred beyond three years.

The Treasury recognizes the important function performed by cooperatives in our agricultural economy, and the need to strike a balance between the interests of farmers on the one hand, and of business organizations which are in competition with cooperatives. The Treasury proposal seeks to strike a fair balance by imposing one single tax on cooperative earnings and by permitting cooperatives to retain earnings for three years with no tax at the cooperative or patron level. Of course, this three-year period is much shorter than the nine or ten-year period that earnings are now typically retained by cooperatives. However, we believe that it provides sufficient opportunity to accumulate a reasonable reserve out of tax-free earnings. Thus, if a cooperative earns ten percent per year on its equity, before taxes and patronage refunds, it could continually retain as much as 30 percent of its beginning equity by a three-year rotation of its non-cash patronage refunds. Moreover, an expanding organization could add additional amounts to its tax-free reserve.

Opponents of the Treasury proposal, H. R. 7875 will argue that a cooperative, because of its legal relationship to its patrons, has no income. As I pointed out earlier in discussing the proposal advocated by representatives of cooperatives, we do not believe that such an argument is well founded. Moreover, H. R. 7875 permits a deduction for cash refunds when paid. Thus the cooperative is taxable only with respect to retained net margins not paid out in deductible form. During the period of retention, the cooperative has possession of the taxable net margins and full enjoyment of their use. As mentioned earlier, the time and mode of payment of those net margins is so much subject to the discretion of the Board of Directors of the cooperatives that for Federal income tax purposes, the cooperative's obligation to return its profits to its patrons is frequently one of form rather than substance. In fact, the patron may never see those net margins for the cooperative might suffer losses before redeeming its paper allocations. In this connection, it is interesting to note the provision of the by-laws in the Long Poultry Farms case. In that case the cooperative by-laws provided that:

> "In the event the association suffers a loss in any year, the Board of Directors shall prescribe the basis on which the capital furnished by patrons shall be reduced on account of any such loss, so that it will be borne by the patrons on as equitable a basis as the Board of Directors finds practicable." See 294 F.2d 727.

Opponents of H. R. 7875 may also argue that the proposal ignores the immediate reinvestment theory. As I have stated before, the courts have rejected that theory. Opponents may also criticize the proposal on the ground that it does not tax patrons on the fair market value of non-cash patronage distributions. This is true. However, it must be recognized that there are serious administrative difficulties in valuing non-cash patronage refunds. H. R. 7875 completely avoids this problem by providing that the patron of a cooperative is required to include in income only cash distributions.

Objection also might be raised against the requirement that the paper refund carry interest at the rate of four percent per annum and be redeemed within three years. This requirement is an attempt to balance the favorable treatment to be granted cooperatives against the proposition that competing businesses should be taxed equally. Further, if the cooperative obtains a deduction for $100, it seems only fair to require that the patron receive something fairly equivalent to $100.

Summary

In summary, I would like to emphasize the urgent need for legislation in this area. We believe that H.R. 7875 presents a fair and workable method of taxation both from the standpoint of the cooperative and its members and from the standpoint of competing business and the general tax-paying public. This is not to say that there may not be other methods of achieving fair and equitable taxation of cooperative income. The staff of the Treasury will continue to work cooperatively with the staff of your Committee in developing whatever method your Committee may decide is most appropriate for handling this troublesome problem.

Table 1.

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Allocation of earnings of 21 farmers marketing and purchasing cooperatives for the five-year period, 1954-1958, and relation of untaxed retained earnings to assets and equity at the beginning of the period.

(Dollar amounts in millions)

| | | |
|---|---|---|
| | Amounts | |
| 1. | Earnings before dividends and income tax for the five years | $99.3 |
| 2. | Income tax | .7 |
| 3. | Earnings after income tax | 98.6 |
| 4. | Dividends on stock | 7.8 |
| 5. | Dividends from non-patronage income | .3 |
| 6. | Patronage refunds - total 1/ | 91.0 |
| | a. Cash | 39.7 |
| | b. Non-cash | 51.3 |
| | c. Redemptions | 4.0 |
| | d. Net retentions | 47.3 |
| 7. | Assets at beginning of period | 185.7 |
| 8. | Equity at beginning of period 2/ | 113.8 |
| | Ratios | |
| 9. | Effective rate of income tax | .8% |
| 10. | Proportion of earnings before income tax retained (net) as non-cash patronage refunds | 48% |
| 11. | Ratio of net non-cash patronage refunds to beginning assets | 25% |
| 12. | Ratio of net non-cash patronage refunds to beginning equity | 42% |

1/ Total patronage refunds exceed income after income tax and dividends on stock because patronage refunds during a year sometimes exceeded income.

2/ Includes patronage refunds payable if they had not been converted to a formal debt instrument.

Treasury Department

Table 2.

Data on net income and allocation of net income of farmers' marketing and purchasing cooperatives

(Dollar amounts in millions)

| | Agriculture (1954) | Treasury 1/ (1953) |
|---|---|---|
| Number of cooperatives | 9,793 | 8,311 |
| Gross receipts | $8,500 | $7,419 |
| Net income before income tax | 332 | 270 |
| Less: Non-cash patronage refunds received | 57 | 17 |
| Net income less intercooperative non-cash patronage refunds | 275 | 253 |
| Less: Income tax | 14 | 10 |
| Net income after tax | 261 | 243 |
| Allocation of net income after tax | | |
| Cash distributions: | | |
| Dividends on capital stock | 18 | 15 |
| "Interest" on other equity | 1 | - |
| Patronage refunds | 103 | 100 |
| Total cash distributions 2/ | 122 | 115 |
| Non-cash distributions: | | |
| Patronage refunds (net of intercooperative) | 127 | 123 |
| Total distributions | 249 | 238 |
| Net income retained | 12 | 5 |

Sources: Department of Agriculture, "Methods of Financing Farmer Cooperatives," pp. 34 and 41; Treasury Department, "Farmers' Cooperative Income Tax Returns for 1953."

1/ Returns for nonexempt cooperatives do not show patronage refunds and they are estimated on the basis of data for "exempt" cooperatives.

2/ In addition, cash distributions are made to retire patronage refunds declared in non-cash form in previous years. Such payments were about 50 percent of non-cash payments during the period 1950-1954.

Table 3.



Number and volume of business of farmers' marketing and purchasing cooperatives, 1940 - 1956

(Dollar amounts in millions)

| Year 1/ | Number of Cooperatives | Volume of business 2/ Gross | Net 3/ |
|---|---|---|---|
| 1940 | 10,600 | $2,280 | |
| 1945 | 10,150 | 6,070 | |
| 1950 | 10,051 | 10,519 | 8,144 |
| 1951 | 10,166 | 12,132 | 9,404 |
| 1952 | 10,114 | 12,299 | 9,517 |
| 1953 | 10,058 | 12,193 | 9,462 |
| 1954 | 9,887 | 12,456 | 9,626 |
| 1955 | 9,876 | 12,692 | 9,740 |
| 1956 | 9,872 | 13,478 | 10,359 |

Source: Department of Agriculture, "Statistics of Farmer Cooperatives, 1956-57," pp. 3, 16, 71, 73.

1/ Figures are for the marketing seasons for crops produced in the specified year.

2/ Data for 1940 and 1945 not completely comparable to subsequent years. The earlier figures are somewhere between the gross and net figures shown for later years.

3/ Gross volume less the volume of business done between cooperatives. Both the gross and net figures include the total value of products handled on a commission basis.

Table 4.

Corporations classified by size of assets, 1953

| Size of assets (thousands) | Returns: Number | Returns: Percent distribution | Assets: Amount (millions) | Assets: Percent distribution |
|---|---|---|---|---|
| Under $50 | 261,920 | 40.9% | $ 5,625 | .7% |
| 50 under 100 | 115,719 | 18.1 | 8,339 | 1.1 |
| 100 under 250 | 127,949 | 20.0 | 20,306 | 2.7 |
| 250 under 500 | 55,447 | 8.7 | 19,387 | 2.5 |
| 500 under 1,000 | 31,845 | 5.0 | 22,239 | 2.9 |
| 1,000 under 5,000 | 33,805 | 5.3 | 72,960 | 9.6 |
| 5,000 under 10,000 | 6,181 | 1.0 | 43,046 | 5.7 |
| 10,000 under 50,000 | 5,550 | .9 | 112,999 | 14.8 |
| 50,000 under 100,000 | 742 | 1/ | 51,984 | 6.8 |
| 100,000 or more | 915 | 1/ | 404,992 | 53.2 |
| Total | 640,073 | 100.0% | $761,877 | 100.0% |

Source: Treasury Department, "Statistics of Income for 1953, Part 2," p. 67.

1/ Less than .05 percent.

Table 5.

Farmers' marketing and purchasing cooperatives classified by size of assets, 1953 1/

(Dollar amounts in thousands)

| Size of Assets | RETURNS | | | | | | ASSETS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | | | Percent distribution | | | Amount | | | Percent distribution | | |
| | Total | Exempt | Nonexempt | Total | Exempt | Nonexempt | Total | Exempt | Nonexempt | Total | Exempt | Nonexempt |
| Under $50 | 2,329 | 1,413 | 916 | 30.2% | 30.0% | 30.5% | $ 50,014 | $ 27,280 | $ 22,734 | 1.9% | 1.5% | 2.7% |
| 50 under 100 | 1,423 | 812 | 611 | 18.4 | 17.2 | 20.3 | 104,739 | 60,886 | 43,853 | 4.0 | 3.4 | 5.3 |
| 100 under 250 | 2,171 | 1,254 | 917 | 28.1 | 26.6 | 30.5 | 352,032 | 204,864 | 147,168 | 13.3 | 11.4 | 17.7 |
| 250 under 500 | 1,033 | 662 | 371 | 13.4 | 14.0 | 12.3 | 360,915 | 232,983 | 127,932 | 13.7 | 12.9 | 15.4 |
| 500 under 1,000 | 434 | 325 | 109 | 5.6 | 6.9 | 3.6 | 302,151 | 225,617 | 76,534 | 11.4 | 12.5 | 9.2 |
| 1,000 under 5,000 | 272 | 204 | 68 | 3.5 | 4.3 | 2.3 | 519,023 | 388,787 | 130,236 | 19.7 | 21.5 | 15.6 |
| 5,000 under 10,000 | 33 | 27 | 6 | .4 | .6 | .2 | 220,607 | 176,474 | 44,133 | 8.4 | 9.8 | 5.3 |
| 10,000 under 50,000 | 22 | 14 | 8 | .3 | .3 | .3 | 507,892 | 320,395 | 187,497 | 19.2 | 17.7 | 22.5 |
| 50,000 under 100,000 | 2 | 1 | 1 | 2/ | 2/ | 2/ | 102,809 | 50,375 | 52,434 | 3.9 | 2.8 | 6.3 |
| 100,000 or more | 1 | 1 | 0 | 2/ | 2/ | 0.0 | 117,977 | 117,977 | 0 | 4.5 | 6.5 | 0.0 |
| Total | 7,720 | 4,713 | 3,007 | 100.0% | 100.0% | 100.0% | $2,638,159 | $1,805,638 | $ 832,521 | 100.0% | 100.0% | 100.0% |

Source: Treasury Department, "Farmers' Cooperative Income Tax Returns for 1953," p. 9.

1/ "Exempt" cooperatives are those meeting the requirements of section 521 of the Internal Revenue Code.
2/ Less than .05 percent.

Note: Returns for "nonexempt" cooperatives selected by sampling and data therefore are subject to sampling error.

A-750

RELEASE A. M. NEWSPAPERS, Tuesday, February 2, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated November 5, 1959, and the other series to be dated February 4, 1960, which were offered on January 28, were opened at the Federal Reserve Banks on February 1. Tenders were invited for $1,000,000,000, or thereabouts, of 91-day bills and for $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 May 5, 1960 | | 182-day Treasury bills maturing August 4, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.988 | 4.004% | 97.735 | 4.480% |
| Low | 98.974 | 4.059% | 97.720 | 4.510% |
| Average | 98.979 | 4.039% 1/ | 97.724 | 4.501% 1/ |

93 percent of the amount of 91-day bills bid for at the low price was accepted
48 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 26,515,000 | $ 16,420,000 | $ 3,476,000 | $ 2,856,000 |
| New York | 1,356,500,000 | 614,455,000 | 598,280,000 | 286,789,000 |
| Philadelphia | 26,717,000 | 11,717,000 | 7,205,000 | 2,127,000 |
| Cleveland | 51,285,000 | 31,033,000 | 28,659,000 | 7,553,000 |
| Richmond | 18,106,000 | 12,106,000 | 5,154,000 | 1,954,000 |
| Atlanta | 19,728,000 | 17,428,000 | 5,884,000 | 5,303,000 |
| Chicago | 229,389,000 | 150,319,000 | 95,895,000 | 48,327,000 |
| St. Louis | 21,775,000 | 19,718,000 | 5,666,000 | 5,581,000 |
| Minneapolis | 12,512,000 | 11,191,000 | 4,378,000 | 2,422,000 |
| Kansas City | 32,221,000 | 29,107,000 | 8,436,000 | 7,836,000 |
| Dallas | 19,530,000 | 18,993,000 | 5,710,000 | 5,502,000 |
| San Francisco | 79,368,000 | 67,635,000 | 30,020,000 | 23,935,000 |
| TOTALS | $1,893,646,000 | $1,000,122,000 a/ | $798,763,000 | $400,185,000 b/ |

a/ Includes $232,940,000 noncompetitive tenders accepted at the average price of 98.979
b/ Includes $58,424,000 noncompetitive tenders accepted at the average price of 97.724
1/ Average rate on a coupon issue equivalent yield basis is 4.15% for the 91-day bills and 4.68% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest PAYMENT period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

WAF

# TREASURY DEPARTMENT

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WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, February 2, 1960. A-750

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| Low | 98.974 | 4.059% | 97.720 | 4.510% |
| Average | 98.979 | 4.039% 1/ | 97.724 | 4.501% 1/ |

3 percent of the amount of 91-day bills bid for at the low price was accepted
8 percent of the amount of 182-day bills bid for at the low price was accepted

OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
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| Boston | $ 26,515,000 | $ 16,420,000 | $ 3,476,000 | $ 2,856,000 |
| New York | 1,356,500,000 | 614,455,000 | 598,280,000 | 286,789,000 |
| Philadelphia | 26,717,000 | 11,717,000 | 7,205,000 | 2,127,000 |
| Cleveland | 51,285,000 | 31,033,000 | 28,659,000 | 7,553,000 |
| Richmond | 18,106,000 | 12,106,000 | 5,154,000 | 1,954,000 |
| Atlanta | 19,728,000 | 17,428,000 | 5,884,000 | 5,303,000 |
| Chicago | 229,389,000 | 150,319,000 | 95,895,000 | 48,327,000 |
| St. Louis | 21,775,000 | 19,718,000 | 5,666,000 | 5,581,000 |
| Minneapolis | 12,512,000 | 11,191,000 | 4,378,000 | 2,422,000 |
| Kansas City | 32,221,000 | 29,107,000 | 8,436,000 | 7,836,000 |
| Dallas | 19,530,000 | 18,993,000 | 5,710,000 | 5,502,000 |
| San Francisco | 79,368,000 | 67,635,000 | 30,020,000 | 23,935,000 |
| TOTALS | $1,893,646,000 | $1,000,122,000 a/ | $798,763,000 | $400,185,000 b/ |

Includes $232,940,000 noncompetitive tenders accepted at the average price of 98.979
Includes $58,424,000 noncompetitive tenders accepted at the average price of 97.724
Average rate on a coupon issue equivalent yield basis is 4.15% for the 91-day bills and 4.68% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

~~XXXXXXXXXXXXXX~~

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 ~~(16)~~ or less for the additional bills dated November 12, 1959 ~~(17)~~, ( 91 ~~(18)~~ days remaining until maturity date on May 12, 1960 ~~(19)~~ ) and noncompetitive tenders for $ 100,000 ~~(20)~~ or less for the 182 ~~(21)~~ -day bills 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 February 11, 1960 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 11, 1960 ~~(23)~~. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, February 4, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 11, 1960, in the amount of $1,600,483,000, as follows:

91-day bills (to maturity date) to be issued February 11, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated November 12, 1959, and to mature May 12, 1960, originally issued in the amount of $400,198,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated February 11, 1960, and to mature August 11, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, February 8, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
Thursday, February 4, 1960

A-751

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 11, 1960, in the amount of \$1,600,483,000, as follows:

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated November 12, 1959, (91 days remaining until maturity date on May 12, 1960) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 **February 11, 1960**, in cash or other immediately available funds or in a like face amount of Treasury bills maturing **February 11, 1960**. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

oOo

IMMEDIATE RELEASE
Wednesday, February 3, 1960 A-752

The following identical letters from Treasury Secretary Anderson to the Vice President and the Speaker of the House of Representatives were today transmitted by the Treasury Department:

February 3, 1960

My dear Mr. President:

The President, in his Budget message submitted to the Congress on January 18, 1960, recommended that the present tax rates on corporation profits and certain excises be extended for another year beyond their scheduled expiration date of June 30, 1960. The President also recommended that the scheduled reductions in the excise tax rates on transportation of persons and the scheduled repeal of the tax on local telephone service, which were enacted in the last session of the Congress, be similarly postponed. In order to implement these recommendations, we are enclosing a draft of proposed legislation extending these rates for an additional period of one year.

In the absence of this legislation, the scheduled reduction in corporate income taxes and excise taxes would cause a revenue loss of about $2.7 billion in fiscal year 1961, and a full year revenue loss of over $4 billion. Continuation of the existing rates is essential if we are to have a budget surplus for needed reduction in the public debt.

It would be appreciated if you would lay the proposed legislation before the Senate. A similar proposal has been submitted to the Speaker of the House of Representatives.

The Bureau of the Budget has advised the Treasury Department that it has no objection to the submission of this proposed legislation to the Congress.

Sincerely yours,

Robert B. Anderson

Secretary of the Treasury

Honorable Richard M. Nixon
President of the Senate
Washington 25, D. C.

Enclosure

# TREASURY DEPARTMENT

WASHINGTON, D.C.

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Sincerely yours,

Robert B. Anderson

Secretary of the Treasury

Honorable Richard M. Nixon
President of the Senate
Washington 25, D. C.

Enclosure

A-753

IMMEDIATE RELEASE,
Friday, February 5, 1960.

Preliminary figures show that about $10,958 million, or 96.4%, of the 3-3/4% Treasury certificates of indebtedness maturing February 15, 1960, in the amount of $11,363 million, and about $141 million of the 1-1/2% notes due April 1, 1960, in the amount of $198 million, involved in the current refunding, have been exchanged for new one-year certificates and four-year nine-month notes. Exchanges were as follows:

Exchanges for 1-year 4-7/8% certificates due February 15, 1961:

| | (In millions) |
|---|---|
| Maturing certificates for new certificates . . . . . . . . . | $3,312 |
| Notes due April 1, 1960, for new certificates. . . . . . . | 109 |
| Total, other than Federal Reserve System . . . . . . . . | $3,421 |
| Maturing certificates held by Federal Reserve System . . . | 3,507 |
| Total new 4-7/8% certificates. . . . . . . . . . . . . . | $6,928 |

Exchanges for 4-year 9-month 4-7/8% notes due Nov. 15, 1964:

| | |
|---|---|
| Maturing certificates for new notes. . . . . . . . . . . . . | $2,139 |
| Notes due April 1, 1960 for new notes. . . . . . . . . . . | 32 |
| Total, other than Federal Reserve System . . . . . . . . | $2,171 |
| Maturing certificates held by Federal Reserve System . . . | 2,000 |
| Total new 4-7/8% notes . . . . . . . . . . . . . . . . . . | $4,171 |

Certificates maturing February 15, 1960, were held by others than the Federal Reserve System in the amount of $5,856 million. Of this amount $5,451 million, or 93%, were exchanged for the new certificates and notes, leaving $405 million, or 7%, which were not exchanged.

The Federal Reserve System held $5,507 million of the maturing February 15, 1960 certificates, of which $3,507 million were exchanged for the new certificates and $2,000 million were exchanged for the new notes.

Holders of $141 million of the 1-1/2% notes due April 1, 1960, in the amount of $198 million, elected to exchange their notes at this time for the new certificates and notes.

Final figures for the exchange will be announced after final reports are received from the Federal Reserve Banks.

# TREASURY DEPARTMENT

152

WASHINGTON, D.C.

IMMEDIATE RELEASE,
Friday, February 5, 1960.

A-753

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Final figures for the exchange will be announced after final reports are received from the Federal Reserve Banks.

53 A-754

RELEASE A. M. NEWSPAPERS, Tuesday, February 9, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated November 12, 1959, and the other series to be dated February 11, 1960, which were offered on February 4, were opened at the Federal Reserve Banks on February 8. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 May 12, 1960 | | 182-day Treasury bills maturing August 11, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.112 | 3.513% | 97.954 | 4.047% |
| Low | 99.080 | 3.640% | 97.927 | 4.100% |
| Average | 99.099 | 3.563% 1/ | 97.930 | 4.094% 1/ |

55 percent of the amount of 91-day bills bid for at the low price was accepted
82 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 30,919,000 | $ 20,919,000 | $ 6,765,000 | $ 3,585,000 |
| New York | 1,416,465,000 | 770,885,000 | 758,029,000 | 302,436,000 |
| Philadelphia | 30,390,000 | 15,390,000 | 9,414,000 | 3,514,000 |
| Cleveland | 26,129,000 | 25,979,000 | 21,678,000 | 6,438,000 |
| Richmond | 19,084,000 | 19,084,000 | 4,666,000 | 4,611,000 |
| Atlanta | 30,024,000 | 29,889,000 | 10,200,000 | 5,417,000 |
| Chicago | 197,392,000 | 154,042,000 | 95,436,000 | 42,367,000 |
| St. Louis | 26,817,000 | 26,435,000 | 6,847,000 | 5,699,000 |
| Minneapolis | 16,296,000 | 16,296,000 | 4,478,000 | 1,978,000 |
| Kansas City | 47,087,000 | 47,069,000 | 10,999,000 | 8,146,000 |
| Dallas | 20,103,000 | 19,603,000 | 5,600,000 | 5,260,000 |
| San Francisco | 54,702,000 | 54,602,000 | 38,180,000 | 10,860,000 |
| TOTALS | $1,915,408,000 | $1,200,193,000 a/ | $972,292,000 | $400,311,000 b/ |

a/ Includes $259,027,000 noncompetitive tenders accepted at the average price of 99.099
b/ Includes $64,546,000 noncompetitive tenders accepted at the average price of 97.930
1/ Average rate on a coupon issue equivalent yield basis is 3.66% for the 91-day bills and 4.25% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT 154

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, February 9, 1960. A-754

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Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated November 19, 1959, (91 days remaining until maturity date on May 19, 1960) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 February 18, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 18, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

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TREASURY DEPARTMENT
Washington

A-755

RELEASE A. M. NEWSPAPERS,
Wednesday, February 10, 1960 .

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,600,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing February 18, 1960 , in the amount of $ 1,600,866,000 , as follows:

91 -day bills (to maturity date) to be issued February 18, 1960 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated November 19, 1959 , and to mature May 19, 1960 , originally issued in the amount of $ 403,266,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 400,000,000 , or thereabouts, to be dated February 18, 1960 , and to mature August 18, 1960 .

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, February 15, 1960 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT

159

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
Wednesday, February 10, 1960.

A-755

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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.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

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# COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to Feb. 8, 1960 | Established 33-1/3% of Total Quota | Imports Sept. 20, 1959 to Feb. 8, 1960 1/ |
|---|---|---|---|---|
| United Kingdom . . . . . . | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada . . . . . . . . . . | 239,690 | 239,690 | - | - - |
| France . . . . . . . . . . | 227,420 | 131,686 | 75,807 | 75,807 |
| British India . . . . . . . | 69,627 | - | - | - |
| Netherlands . . . . . . . . | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland . . . . . . . . | 44,388 | - | 14,796 | - |
| Belgium . . . . . . . . . . | 38,559 | - | 12,853 | - |
| Japan . . . . . . . . . . . | 341,535 | - | - | - |
| China . . . . . . . . . . . | 17,322 | - | - | - |
| Egypt . . . . . . . . . . . | 8,135 | - | - | - |
| Cuba . . . . . . . . . . . | 6,544 | - | - | - |
| Germany . . . . . . . . . . | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy . . . . . . . . . . . | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,130,714 | 1,599,886 | 1,566,878 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
**FRIDAY, FEBRUARY 12, 1960.**

A-756

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - February 8, 1960

| Country of Origin | Established Quota | Imports |
|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - |
| Peru .................... | 247,952 | - |
| British India ........... | 2,003,483 | - |
| China ................... | 1,370,791 | - |
| Mexico .................. | 8,883,259 | 8,883,259 |
| Brazil .................. | 618,723 | 618,000 |
| Union of Soviet Socialist Republics ... | 475,124 | - |
| Argentina ............... | 5,203 | - |
| Haiti ................... | 237 | - |
| Ecuador ................. | 9,333 | - |
| Honduras ............... | 752 | 752 |
| Paraguay ............... | 871 | - |
| Colombia ............... | 124 | 124 |
| Iraq ................... | 195 | - |
| British East Africa ... | 2,240 | - |
| Netherlands E. Indies . | 71,388 | - |
| Barbados ............... | - | - |
| 1/Other British W. Indies | 21,321 | - |
| Nigeria ............... | 5,377 | - |
| 2/Other British W. Africa | 16,004 | - |
| 3/Other French Africa ... | 689 | - |
| Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - February 8, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
**FRIDAY, FEBRUARY 12, 1960.**

A-756

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - February 8, 1960

| Country of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - | Honduras .............. | 752 | 752 |
| Peru .................... | 247,952 | - | Paraguay .............. | 871 | - |
| British India ........... | 2,003,483 | - | Colombia .............. | 124 | 124 |
| China ................... | 1,370,791 | - | Iraq .................. | 195 | - |
| Mexico .................. | 8,883,259 | 8,883,259 | British East Africa ... | 2,240 | - |
| Brazil .................. | 618,723 | 618,000 | Netherlands E. Indies . | 71,388 | - |
| Union of Soviet Socialist Republics ... | 475,124 | - | Barbados .............. | - | - |
| Argentina ............... | 5,203 | - | 1/Other British W. Indies | 21,321 | - |
| Haiti ................... | 237 | - | Nigeria ............... | 5,377 | - |
| Ecuador ................. | 9,333 | - | 2/Other British W. Africa | 16,004 | - |
| | | | 3/Other French Africa ... | 689 | - |
| | | | Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - February 8, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

## COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to Feb. 8, 1960 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1959 to Feb. 8, 1960 |
|---|---|---|---|---|
| United Kingdom | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada | 239,690 | 239,690 | - | - - |
| France | 227,420 | 131,686 | 75,807 | 75,807 |
| British India | 69,627 | - | - | - |
| Netherlands | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland | 44,388 | - | 14,796 | - |
| Belgium | 38,559 | - | 12,853 | - |
| Japan | 341,535 | - | - | - |
| China | 17,322 | - | - | - |
| Egypt | 8,135 | - | - | - |
| Cuba | 6,544 | - | - | - |
| Germany | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,130,714 | 1,599,886 | 1,566,878 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 12, 1960.

A-757

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - January 1, 1960 - March 31, 1960

IMPORTS - January 1, 1960 - February 9, 1960

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes | | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Zinc (Pounds) | Imports | Quarterly Quota By Weight (Pounds) | Imports |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,091,957 | - | | - | |
| Belgian Congo | - | | - | | - | | 5,440,000 | 1,054 |
| Belgium and Luxemburg (total) | - | | - | | - | | 7,520,000 | 1,103,807 |
| Bolivia | 5,040,000 | 2,496,737 | - | | - | | - | |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 7,110,732 | 66,480,000 | 65,701,595 | 37,840,000 | 18,479,670 |
| Italy | - | | - | | - | | 3,600,000 | 3,004,969 |
| Mexico | - | | 36,880,000 | 23,509,164 | 70,480,000 | 46,888,404 | 6,320,000 | 323,993 |
| Peru | 16,160,000 | 7,986,537 | 12,880,000 | 3,143,508 | 35,120,000 | 10,531,732 | 3,760,000 | 1,605,576 |
| Un. So. Africa | 14,880,000 | 8,949,404 | - | | - | | - | |
| Yugoslavia | - | | 15,760,000 | 707,185 | - | | - | |
| All other foreign countries (total) | 6,560,000 | 4,897,842 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,666,745 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 12, 1960.

A-757

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - January 1, 1960 - March 31, 1960

IMPORTS - January 1, 1960 - February 9, 1960

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes | | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Zinc (Pounds) | Imports | Quarterly Quota By Weight (Pounds) | Imports |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,091,957 | - | | - | |
| Belgian Congo | - | | - | | - | | 5,440,000 | 1,054 |
| Belgium and Luxemburg (total) | - | | - | | - | | 7,520,000 | 1,103,807 |
| Bolivia | 5,040,000 | 2,496,737 | - | | - | | - | |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 7,110,732 | 66,480,000 | 65,701,595 | 37,840,000 | 18,479,670 |
| Italy | - | | - | | - | | 3,600,000 | 3,004,969 |
| Mexico | - | | 36,880,000 | 23,509,164 | 70,480,000 | 46,888,404 | 6,320,000 | 323,993 |
| Peru | 16,160,000 | 7,986,537 | 12,880,000 | 3,143,508 | 35,120,000 | 10,531,732 | 3,760,000 | 1,605,576 |
| Un. So. Africa | 14,880,000 | 8,949,404 | - | | - | | - | |
| Yugoslavia | - | | 15,760,000 | 707,185 | - | | - | |
| All other foreign countries (total) | 6,560,000 | 4,897,842 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,666,745 |

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| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Jan. 30, 19 |
|---|---|---|---|---|
| **Absolute Quotas:** | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 457,46 |
| Rye, rye flour, and rye meal...... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,21 |
| | Other Countries | 1,547,995 | Pound | |
| Butter substitutes, including butter oil, containing 45% or more butterfat................. | Calendar Year | 1,200,000 | Pound | 1,199,95 |
| Tung Oil......................... | Nov. 1, 1959 - Jan. 31, 1960 | | | |
| | Argentina | 5,525,000 | Pound | 4,141,67 |
| | Paraguay | 741,000 | Pound | Quota Fille |
| | Other Countries | 234,000 | Pound | 231,61 |
| | Feb. 1, 1960 Oct. 31, 1960 | | | |
| | Argentina | 17,958,321 | Pound | |
| | Paraguay | 2,223,000 | Pound | Quota Fille |
| | Other Countries | 704,382 | Pound | 155,80 |

*Imports through February 8, 1960

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 12, 1960.

A-758

The Bureau of Customs announced today preliminary figures showing the imports for consumption of the commodities listed below within quota limitations from the beginning of the quota periods to January 30, 1960, inclusive, as follows:

| Commodity | Period and | Quantity | Unit of Quantity | Imports as of Jan. 30, 1 |
|---|---|---|---|---|
| **Tariff-Rate Quotas:** | | | | |
| Cream, fresh or sour.......... | Calendar Year | 1,500,000 | Gallon | 11 |
| Whole milk, fresh or sour..... | Calendar Year | 3,000,000 | Gallon | 6 |
| Cattle, 700 lbs. or more each (other than dairy cows)...... | Jan. 1, 1960 - March 31, 1960 | 120,000 | Head | 3,346 |
| Cattle, less than 200 lbs. ea. | 12 mos. from April 1, 1959 | 200,000 | Head | 31,992 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish...... | Calendar Year | To be announced | Pound | 6,787,956 |
| Tuna fish..................... | Calendar Year | To be announced | Pound | 3,996,867 |
| White or Irish potatoes: | | | | |
| Certified seed............... | 12 mos. from Sept. 15, 1959 | 114,000,000 | Pound | 39,448,275 |
| Other........................ | | 36,000,000 | Pound | 2,179,163 |
| Walnuts....................... | Calendar Year | 5,000,000 | Pound | 574,770 |
| Peanut oil.................... | 12 mos. from July 1, 1959 | 80,000,000 | Pound | - |
| Woolen fabrics................ | Calendar Year | 13,500,000* | Pound | 6,015,603 |
| Stainless steel table flatware (table knives, table forks, table spoons)................ | Nov. 1, 1959 - Oct. 31, 1960 | 69,000,000 | Pieces | 22,872,023 |

*White House Press Release of 2/8/60

TREASURY DEPARTMENT
Washington, D. C.

EDIATE RELEASE
IDAY, FEBRUARY 12, 1960. A-758

The Bureau of Customs announced today preliminary figures showing the imports for sumption of the commodities listed below within quota limitations from the beginning the quota periods to January 30, 1960, inclusive, as follows:

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Jan. 30, 1960 |
|---|---|---|---|---|
| Iff-Rate Quotas: | | | | |
| im, fresh or sour.......... | Calendar Year | 1,500,000 | Gallon | 11 |
| .e milk, fresh or sour..... | Calendar Year | 3,000,000 | Gallon | 6 |
| :le, 700 lbs. or more each :her than dairy cows)...... | Jan. 1, 1960 - March 31, 1960 | 120,000 | Head | 3,346 |
| :le, less than 200 lbs. ea. | 12 mos. from April 1, 1959 | 200,000 | Head | 31,992 |
| fresh or frozen, filleted, , cod, haddock, hake, pol- cusk, and rosefish...... | Calendar Year | To be announced | Pound | 6,787,956 |
| fish.................... | Calendar Year | To be announced | Pound | 3,996,867 |
| e or Irish potatoes: | | | | |
| tified seed.............. | 12 mos. from Sept. 15, 1959 | 114,000,000 | Pound | 39,448,275 |
| er..................... | | 36,000,000 | Pound | 2,179,163 |
| uts...................... | Calendar Year | 5,000,000 | Pound | 574,770 |
| ut oil................... | 12 mos. from July 1, 1959 | 80,000,000 | Pound | - |
| len fabrics............... | Calendar Year | 13,500,000* | Pound | 6,015,603 |
| nless steel table flatware ble knives, table forks, le spoons)............... | Nov. 1, 1959 - Oct. 31, 1960 | 69,000,000 | Pieces | 22,872,023 |

(over)

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of Jan. 30, 19 |
|---|---|---|---|---|
| **Absolute Quotas:** | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 457,46 |
| Rye, rye flour, and rye meal...... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,21 |
| | Other Countries | 1,547,995 | Pound | |
| Butter substitutes, including butter oil, containing 45% or more butterfat.................. | Calendar Year | 1,200,000 | Pound | 1,199,95 |
| Tung Oil........................ | Nov. 1, 1959 - Jan. 31, 1960 | | | |
| | Argentina | 5,525,000 | Pound | 4,141,67 |
| | Paraguay | 741,000 | Pound | Quota Fille |
| | Other Countries | 234,000 | Pound | 231,61 |
| | Feb. 1, 1960 Oct. 31, 1960 | | | |
| | Argentina | 17,958,321 | Pound | |
| | Paraguay | 2,223,000 | Pound | Quota Fille |
| | Other Countries | 704,382 | Pound | 155,80 |

*Imports through February 8, 1960

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 12, 1960. A-759

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to January 30, 1960, inclusive, of commodities for which quotas were established pursuant to the Philippine Trade Agreement Revision Act of 1955:

| Commodity | | Established Annual Quota Quantity | Unit of Quantity | Imports as of January 30, 1960 |
|---|---|---|---|---|
| Buttons............ | | 765,000 | Gross | 8,566 |
| Cigars............. | | 180,000,000 | Number | 118,220 |
| Coconut Oil........ | | 403,200,000 | Pound | 5,340,999 |
| Cordage............ | | 6,000,000 | Pound | 428,491 |
| Sugars | (Refined..... | 1,904,000,000 | Pound | 9,870,000* |
| | (Unrefined... | | | 208,230,000* |
| Tobacco............ | | 5,850,000 | Pound | 2,324,056 |

* Information furnished by Department of Agriculture.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 12, 1960. A-759

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| Commodity | Established Annual Quota Quantity | Unit of Quantity | Imports as of January 30, 1960 |
|---|---|---|---|
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| Cigars............. | 180,000,000 | Number | 118,220 |
| Coconut Oil........ | 403,200,000 | Pound | 5,340,999 |
| Cordage............ | 6,000,000 | Pound | 428,491 |
| Sugars (Refined..... | 1,904,000,000 | Pound | 9,870,000* |
| Sugars (Unrefined... | | | 208,230,000* |
| Tobacco............ | 5,850,000 | Pound | 2,324,056 |

* Information furnished by Department of Agriculture.

DRAFT PRESS RELEASE

(For release by Treasury)

Assistant Secretary of the Treasury A. Gilmore Flues announced today that the United States Government will serve as host to the 29th General Assembly of the International Criminal Police Organization, better known as Interpol. The 29th General Assembly, the first Interpol meeting convened in the United States, will be held from October 10 to 15, 1960 at Washington, D. C.. Invitations have been extended to the 63 member nations of Interpol by the Department of State

The United States joined Interpol in 1958 and is represented ~~on it~~ by the Treasury Department, whose enforcement agencies - the Coast Guard, Secret Service, Bureau of Customs, Bureau of Narcotics, and the Intelligence and Alcohol and Tobacco Tax Divisions of the Internal Revenue Service - require close working relationships with the police of many countries.

It is planned to hold the conference sessions in the new conference facilities of the State Department now under construction. Simultaneous interpretation in three languages will be provided. All conference arrangements are being coordinated with M. M. Sicot, the Secretary General of Interpol.

Clearances:

OIC - Young P - ~~Kretzmann~~ IO - Leonard SP — 2/11/60

Mr. Philip Burris 2/11/60 Sp

FOR RELEASE,
Sunday, February 14, 1960. A-760

Assistant Secretary of the Treasury A. Gilmore Flues announced today that the United States Government will serve as host to the 29th General Assembly of the International Criminal Police Organization, better known as Interpol. The 29th General Assembly, the first Interpol meeting to be convened in the United States, will be held from October 10 to 15, 1960 at Washington, D. C. Invitations have been extended to the 63 member nations of Interpol by the Department of State.

The United States joined Interpol in 1958 and is represented by the Treasury Department, whose enforcement agencies -- the Coast Guard, Secret Service, Bureau of Customs, Bureau of Narcotics, and the Intelligence and Alcohol and Tobacco Tax Divisions of the Internal Revenue Service -- require close working relationships with the police of many countries.

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FOR RELEASE,
Sunday, February 14, 1960. A-760

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IMMEDIATE RELEASE
Monday, February 15, 1960 A-761

Treasury Secretary Anderson has sent the following identical letters to the Vice President and the Speaker of the House of Representatives:

February 12, 1960

My dear Mr. President:

In his Budget Message, submitted to Congress on January 18, 1960, the President recommended that consideration be given to an amendment to the Internal Revenue Code which would treat the gain from the sale of depreciable personal property as ordinary income to the extent of the depreciation deduction previously taken on the property. The enclosed draft of proposed legislation would implement the President's recommendation.

Under existing law, gain realized by a taxpayer upon the sale of depreciable personal property used in business is taxable as long-term capital gain even though part or all of the gain may be attributable to depreciation allowances which have been taken as ordinary deductions. This has hampered the sound administration of the depreciation laws because through the medium of the depreciation deduction ordinary income may be converted into capital gain. Accordingly, agents of the Internal Revenue Service have been zealous in insisting upon full proof that depreciation rates and salvage values claimed by a taxpayer can be substantiated by expert opinion or actual experience.

Informed opinion often differs as to the period of time over which an item of machinery or other depreciable property may reasonably be expected to be useful to the taxpayer in his trade or business. The necessity of establishing a salvage value for an item of personal property also causes innumerable problems for industry and the Internal Revenue Service.

The proposed statutory change which would require that gains from sale of depreciable personal property be treated as ordinary income, to the extent of depreciation previously claimed, would make it possible for agents of the Internal Revenue Service to accept more readily taxpayer judgments and taxpayer practices with respect to depreciation rates and salvage value. In short, if enacted the proposed legislation, by eliminating the opportunity which now exists of converting ordinary income into capital gains, would contribute to the sound administration of the depreciation laws.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE
Monday, February 15, 1960

A-761

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February 12, 1960

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It will be appreciated if you would lay the proposed legislation before the Senate. A similar proposal has been submitted to the Speaker of the House of Representatives.

Sincerely yours,

Robert B. Anderson

Secretary of the Treasury

Honorable Richard M. Nixon
President of the Senate
Washington 25, D. C.

Enclosure

FISCAL SERVICE
OFFICE OF
FISCAL ASST. SECRETARY

1960 FEB 12 AM 10 42

TREASURY DEPARTMENT

# STATUTORY DEBT LIMITATION
AS OF JANUARY 31, 1960

Washington, Feb. 15, 1960

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of June 30, 1959 (P.L. 86-74 86th Congress) provides that during the period beginning on July 1, 1959 and ending June 30, 1960, the above limitation ($285,000,000,000) shall be temporarily increased by $10,000,000,000.

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

| | | | |
|---|---|---|---|
| Total face amount that may be outstanding at any one time | | | $295,000,000,000 |
| Outstanding- | | | |
| Obligations issued under Second Liberty Bond Act, as amended | | | |
| Interest-bearing: | | | |
| Treasury bills | $41,156,448,000 | | |
| Certificates of indebtedness | 19,669,293,000 | | |
| Treasury notes | 44,234,592,000 | $105,060,333,000 | |
| Bonds- | | | |
| Treasury | 84,746,082,050 | | |
| * Savings (current redemp. value) | 47,876,887,203 | | |
| Depositary | 183,212,500 | | |
| Investment series | 7,539,446,000 | 140,345,627,753 | |
| Special Funds- | | | |
| Certificates of indebtedness | 8,067,788,000 | | |
| Treasury notes | 14,504,962,000 | | |
| Treasury bonds | 20,057,110,000 | 42,629,860,000 | |
| Total interest-bearing | | 288,035,820,753 | |
| Matured, interest-ceased | | 491,406,790 | |
| Bearing no interest: | | | |
| United States Savings Stamps | 51,294,031 | | |
| Excess profits tax refund bonds | 819,566 | | |
| Special notes of the United States: | | | |
| Internat'l Monetary Fund series | 2,095,000,000 | 2,147,113,597 | |
| Total | | 290,674,341,140 | |
| Guaranteed obligations (not held by Treasury): | | | |
| Interest-bearing: | | | |
| Debentures: F.H.A. | 129,503,600 | | |
| Matured, interest-ceased | 575,350 | 130,078,950 | |
| Grand total outstanding | | | 290,804,420,090 |
| Balance face amount of obligations issuable under above authority | | | 4,195,579,910 |

Reconcilement with Statement of the Public Debt January 31, 1960
(Date)

(Daily Statement of the United States Treasury, January 29, 1960)
(Date)

| | |
|---|---|
| Outstanding- | |
| Total gross public debt | 291,084,698,309 |
| Guaranteed obligations not owned by the Treasury | 130,078,950 |
| Total gross public debt and guaranteed obligations | 291,214,777,259 |
| Deduct - other outstanding public debt obligations not subject to debt limitation | 410,357,169 |
| | 290,804,420,090 |

A-762

# STATUTORY DEBT LIMITATION
## AS OF JANUARY 31, 1960

Washington, Feb. 15, 1960

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of June 30, 1959 (P.L. 86-74 86th Congress) provides that during the period beginning on July 1, 1959 and ending June 30, 1960, the above limitation ($285,000,000,000) shall be temporarily increased by $10,000,000,000.

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

| | | | |
|---|---|---|---|
| Total face amount that may be outstanding at any one time | | | $295,000,000,000 |
| Outstanding- | | | |
| Obligations issued under Second Liberty Bond Act, as amended | | | |
| Interest-bearing: | | | |
| Treasury bills | $41,156,448,000 | | |
| Certificates of indebtedness | 19,669,293,000 | | |
| Treasury notes | 44,234,592,000 | $105,060,333,000 | |
| Bonds- | | | |
| Treasury | 84,746,082,050 | | |
| * Savings (current redemp. value) | 47,876,887,203 | | |
| Depositary | 183,212,500 | | |
| Investment series | 7,539,446,000 | 140,345,627,753 | |
| Special Funds- | | | |
| Certificates of indebtedness | 8,067,788,000 | | |
| Treasury notes | 14,504,962,000 | | |
| Treasury bonds | 20,057,110,000 | 42,629,860,000 | |
| Total interest-bearing | | 288,035,820,753 | |
| Matured, interest-ceased | | 491,406,790 | |
| Bearing no interest: | | | |
| United States Savings Stamps | 51,294,031 | | |
| Excess profits tax refund bonds | 819,566 | | |
| Special notes of the United States: | | | |
| Internat'l Monetary Fund series | 2,095,000,000 | 2,147,113,597 | |
| Total | | 290,674,341,140 | |
| Guaranteed obligations (not held by Treasury): | | | |
| Interest-bearing: | | | |
| Debentures: F.H.A. | 129,503,600 | | |
| Matured, interest-ceased | 575,350 | 130,078,950 | |
| Grand total outstanding | | | 290,804,420,090 |
| Balance face amount of obligations issuable under above authority | | | 4,195,579,910 |

Reconcilement with Statement of the Public Debt January 31, 1960
(Date)

(Daily Statement of the United States Treasury, January 29, 1960)
(Date)

| | |
|---|---|
| Outstanding- | |
| Total gross public debt | 291,084,698,309 |
| Guaranteed obligations not owned by the Treasury | 130,078,950 |
| Total gross public debt and guaranteed obligations | 291,214,777,259 |
| Deduct - other outstanding public debt obligations not subject to debt limitation | 410,357,169 |
| | 290,804,420,090 |

IMMEDIATE RELEASE, Monday, February 15, 1960. 178 A-763

The Treasury Department today announced the results of the current exchange offering of 4-7/8 percent Treasury Certificates of Indebtedness of Series A-1961, dated February 15, 1960, due February 15, 1961, and 4-7/8 percent Treasury Notes of Series C-1964, dated February 15, 1960, due November 15, 1964, open to holders of $11,362,626,000 of 3-3/4 percent Treasury Certificates of Indebtedness of Series A-1960, maturing February 15, 1960, and $198,041,000 of 1-1/2 percent Treasury Notes of Series EA-1960, due April 1, 1960. Subscriptions for the new issues amounted to $11,122,875,000, leaving $437,792,000 of the exchange issues for cash redemption. Of this amount $381,092,000 are the A-1960 notes and $56,700,000 are the EA-1960 notes.

Amounts exchanged were divided between the two new issues and among the several Federal Reserve Districts and the Treasury as follows:

4-7/8% TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1961

| Federal Reserve District | A-1960 Ctfs. ex. for A-1961 Ctfs. | EA-1960 Notes ex. for A-1961 Ctfs. | Total exchanges for A-1961 Ctfs. |
|---|---|---|---|
| Boston | $ 115,249,000 | $ 1,145,000 | $ 116,394,000 |
| New York | 5,365,636,000 | 88,023,000 | 5,453,659,000 |
| Philadelphia | 76,552,000 | 104,000 | 76,656,000 |
| Cleveland | 138,391,000 | 1,943,000 | 140,334,000 |
| Richmond | 47,897,000 | 349,000 | 48,246,000 |
| Atlanta | 123,569,000 | 350,000 | 123,919,000 |
| Chicago | 417,124,000 | 10,487,000 | 427,611,000 |
| St. Louis | 95,418,000 | 1,773,000 | 97,191,000 |
| Minneapolis | 48,574,000 | 45,000 | 48,619,000 |
| Kansas City | 83,933,000 | 2,769,000 | 86,702,000 |
| Dallas | 78,802,000 | 626,000 | 79,428,000 |
| San Francisco | 203,132,000 | 1,236,000 | 204,368,000 |
| Treasury | 32,109,000 | 5,000 | 32,114,000 |
| Total | $6,826,386,000 | $108,855,000 | $6,935,241,000 |

4-7/8% TREASURY NOTES OF SERIES C-1964

| Federal Reserve District | A-1960 Ctfs. ex. for C-1964 Notes | EA-1960 Notes ex. for C-1964 Notes | Total exchanges for C-1964 Notes |
|---|---|---|---|
| Boston | $ 137,712,000 | $ 600,000 | $ 138,312,000 |
| New York | 3,231,146,000 | 20,906,000 | 3,252,052,000 |
| Philadelphia | 28,906,000 | 640,000 | 29,546,000 |
| Cleveland | 171,022,000 | 505,000 | 171,527,000 |
| Richmond | 15,622,000 | 300,000 | 15,922,000 |
| Atlanta | 55,284,000 | 2,344,000 | 57,628,000 |
| Chicago | 283,276,000 | 3,469,000 | 286,745,000 |
| St. Louis | 43,361,000 | 1,920,000 | 45,281,000 |
| Minneapolis | 35,113,000 | 22,000 | 35,135,000 |
| Kansas City | 56,611,000 | 710,000 | 57,321,000 |
| Dallas | 27,997,000 | 414,000 | 28,411,000 |
| San Francisco | 65,051,000 | 656,000 | 65,707,000 |
| Treasury | 4,047,000 | - - | 4,047,000 |
| Total | $4,155,148,000 | $32,486,000 | $4,187,634,000 |

# TREASURY DEPARTMENT

WASHINGTON. D.C.

IMMEDIATE RELEASE, Monday, February 15, 1960.

A-763

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Amounts exchanged were divided between the two new issues and among the several Federal Reserve Districts and the Treasury as follows:

4-7/8% TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1961

| Federal Reserve District | A-1960 Ctfs. ex. for A-1961 Ctfs. | EA-1960 Notes ex. for A-1961 Ctfs. | Total exchanges for A-1961 Ctfs. |
|---|---|---|---|
| Boston | $ 115,249,000 | $ 1,145,000 | $ 116,394,000 |
| New York | 5,365,636,000 | 88,023,000 | 5,453,659,000 |
| Philadelphia | 76,552,000 | 104,000 | 76,656,000 |
| Cleveland | 138,391,000 | 1,943,000 | 140,334,000 |
| Richmond | 47,897,000 | 349,000 | 48,246,000 |
| Atlanta | 123,569,000 | 350,000 | 123,919,000 |
| Chicago | 417,124,000 | 10,487,000 | 427,611,000 |
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| Dallas | 78,802,000 | 626,000 | 79,428,000 |
| San Francisco | 203,132,000 | 1,236,000 | 204,368,000 |
| Treasury | 32,109,000 | 5,000 | 32,114,000 |
| Total | $6,826,386,000 | $108,855,000 | $6,935,241,000 |

4-7/8% TREASURY NOTES OF SERIES C-1964

| Federal Reserve District | A-1960 Ctfs. ex. for C-1964 Notes | EA-1960 Notes ex. for C-1964 Notes | Total exchanges for C-1964 Notes |
|---|---|---|---|
| Boston | $ 137,712,000 | $ 600,000 | $ 138,312,000 |
| New York | 3,231,146,000 | 20,906,000 | 3,252,052,000 |
| Philadelphia | 28,906,000 | 640,000 | 29,546,000 |
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| Atlanta | 55,284,000 | 2,344,000 | 57,628,000 |
| Chicago | 283,276,000 | 3,469,000 | 286,745,000 |
| St. Louis | 43,361,000 | 1,920,000 | 45,281,000 |
| Minneapolis | 35,113,000 | 22,000 | 35,135,000 |
| Kansas City | 56,611,000 | 710,000 | 57,321,000 |
| Dallas | 27,997,000 | 414,000 | 28,411,000 |
| San Francisco | 65,051,000 | 656,000 | 65,707,000 |
| Treasury | 4,047,000 | - - | 4,047,000 |
| Total | $4,155,148,000 | $32,486,000 | $4,187,634,000 |

RELEASE A. M. NEWSPAPERS, Tuesday, February 16, 1960. 178 A-769

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated November 19, 1959, and the other series to be dated February 18, 1960, which were offered on February 10, were opened at the Federal Reserve Banks on February 15. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 May 19, 1960 | | 182-day Treasury bills maturing August 18, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.999 a/ | 3.960% | 97.854 b/ | 4.245% |
| Low | 98.960 | 4.114% | 97.818 | 4.316% |
| Average | 98.978 | 4.045% 1/ | 97.829 | 4.294% 1/ |

a/ Excepting two tenders totaling $668,000
b/ Excepting four tenders totaling $770,000
37 percent of the amount of 91-day bills bid for at the low price was accepted
84 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 26,961,000 | $ 16,961,000 | $ 6,682,000 | $ 6,682,000 |
| New York | 1,334,330,000 | 792,180,000 | 528,694,000 | 259,074,000 |
| Philadelphia | 32,917,000 | 19,767,000 | 10,829,000 | 5,829,000 |
| Cleveland | 41,314,000 | 41,314,000 | 19,086,000 | 14,086,000 |
| Richmond | 18,995,000 | 16,995,000 | 4,829,000 | 2,829,000 |
| Atlanta | 26,609,000 | 26,609,000 | 4,894,000 | 4,494,000 |
| Chicago | 180,697,000 | 145,197,000 | 68,971,000 | 60,111,000 |
| St. Louis | 23,048,000 | 23,048,000 | 5,721,000 | 5,701,000 |
| Minneapolis | 11,518,000 | 11,518,000 | 4,204,000 | 1,956,000 |
| Kansas City | 34,512,000 | 34,512,000 | 11,739,000 | 8,739,000 |
| Dallas | 15,441,000 | 15,441,000 | 4,383,000 | 4,383,000 |
| San Francisco | 56,491,000 | 56,491,000 | 28,737,000 | 26,157,000 |
| TOTALS | $1,802,833,000 | $1,200,033,000 c/ | $698,769,000 | $400,041,000 d/ |

c/ Includes $237,273,000 noncompetitive tenders accepted at the average price of 98.978
d/ Includes $53,012,000 noncompetitive tenders accepted at the average price of 97.829
1/ Average rate on a coupon issue equivalent yield basis is 4.15% for the 91-day bills and 4.46% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period and with semiannual compounding if more than one coupon period is involved.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, February 16, 1960. A-764

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated November 19, 1959, and the other series to be dated February 18, 1960, which were offered on February 10, were opened at the Federal Reserve Banks on February 15. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 May 19, 1960 | | 182-day Treasury bills maturing August 18, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.999 a/ | 3.960% | 97.854 b/ | 4.245% |
| Low | 98.960 | 4.114% | 97.818 | 4.316% |
| Average | 98.978 | 4.045% 1/ | 97.829 | 4.294% 1/ |

a/ Excepting two tenders totaling $668,000
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| Boston | $ 26,961,000 | $ 16,961,000 | $ 6,682,000 | $ 6,682,000 |
| New York | 1,334,330,000 | 792,180,000 | 528,694,000 | 259,074,000 |
| Philadelphia | 32,917,000 | 19,767,000 | 10,829,000 | 5,829,000 |
| Cleveland | 41,314,000 | 41,314,000 | 19,086,000 | 14,086,000 |
| Richmond | 18,995,000 | 16,995,000 | 4,829,000 | 2,829,000 |
| Atlanta | 26,609,000 | 26,609,000 | 4,894,000 | 4,494,000 |
| Chicago | 180,697,000 | 145,197,000 | 68,971,000 | 60,111,000 |
| St. Louis | 23,048,000 | 23,048,000 | 5,721,000 | 5,701,000 |
| Minneapolis | 11,518,000 | 11,518,000 | 4,204,000 | 1,956,000 |
| Kansas City | 34,512,000 | 34,512,000 | 11,739,000 | 8,739,000 |
| Dallas | 15,441,000 | 15,441,000 | 4,383,000 | 4,383,000 |
| San Francisco | 56,491,000 | 56,491,000 | 28,737,000 | 26,157,000 |
| TOTALS | $1,802,833,000 | $1,200,033,000c/ | $698,769,000 | $400,041,000d/ |

c/ Includes $237,273,000 noncompetitive tenders accepted at the average price of 98.978
d/ Includes $53,012,000 noncompetitive tenders accepted at the average price of 97.829
1/ Average rate on a coupon issue equivalent yield basis is 4.15% for the 91-day bills and 4.46% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

Under today's market conditions, however, the 4-1/4 percent interest rate ceiling on new issues of Treasury bonds effectively prevents the Treasury from issuing any significant amount of new marketable securities of more than five years' maturity, either for cash or in exchange for securities at maturity or in advance of maturity. The Treasury is thus prevented from achieving any meaningful amount of debt lengthening -- or even of holding the average maturity of the debt close to its present length of only 4 years and 3 months. The interest rate ceiling is therefore forcing the Treasury to pursue inflationary debt management policies.

To the extent the Treasury concentrates its new issues in the four to five year maturity range, the decrease in the average maturity of the debt can be slowed, but there is a limit to the amount of securities of this maturity that can be sold without driving interest rates in this sector of the market to very high levels. Moreover, experience has indicated that undue concentration of new cash issues in the four to five year range, at the rates the Treasury would have to pay, might have a strong impact on the capital market -- and particularly the mortgage market -- as individuals withdraw funds from savings institutions to purchase the Treasury issues.

The restriction on interest rates that the Treasury can pay on new marketable bonds is in effect preventing the effective and proper use of Federal financial policies to promote sustainable economic growth. It would be regrettable indeed, if the salutary effects of prudent budget and monetary policies were permitted to be offset in part by so artificial a restriction. The President has once again urged removal of this harmful restriction, and it is to be hoped that early action in this respect will be taken, so that debt management can also bear its proper share of the burden in our efforts to achieve our vital economic goals.

oOo

The budget submitted by the President for fiscal year 1961 is fully consistent with this approach; about 5 percent of Federal revenues are earmarked as a surplus for debt retirement. If economic conditions were to change drastically and recession were to set in -- a contingency which does not seem likely but is of course possible -- the surplus would automatically be converted into a moderate deficit as tax revenues decreased and certain types of expenditures rose. ~~Only if recessionary pressures turned out to be~~

With the economy operating at high and rising levels of activity, the achievement of a $4.2 billion surplus in the Federal budget will help reduce the burden on monetary policy and will also facilitate debt management. In my judgment, the lack of adequate surpluses in the prosperous years following the Second World War -- which has resulted in a more than $30 billion increase in the public debt since the end of 1946 -- has meant that monetary policy has been called upon to bear more than its proper share of the burden in promoting sustainable economic growth. This unavoidably heavy reliance on monetary policy may have contributed to wider swings in interest rates and capital values than would have been necessary if budgetary surpluses had been adequate. But it seems incorrect to argue that monetary policy has tried to assume too large a role; the conclusion is rather that the degree of monetary restraint has had to be greater than would have been the case if budgetary surpluses had been adequate.

To some observers, Treasury debt management -- the third Federal financial policy -- affords a highly useful technique for promoting sustainable economic growth. Although the Treasury attempts to manage the public debt in a manner consistent with the attainment of our basic economic goals and, insofar as possible, tries actively to promote these objectives, the vigorous use of debt management in this fashion is sometimes impeded by important practical considerations. Inasmuch as these difficulties have been described in detail in the material supplied by the Treasury to this Committee in connection with its recently completed study of employment, growth, and price levels, I shall not discuss them at this time.

During a period of strong business activity, however, the Treasury should at least possess sufficient flexibility in debt management to be able to avoid debt operations that actively promote inflationary pressures. Otherwise, the beneficial effects of prudent budget and monetary policies may in part be offset. In particular, reliance on inflationary short-term financing should be minimized, and a reasonable amount of long-term securities should be marketed, either through cash issues or in advance refunding of outstanding securities.

the growth in the public debt that is implied by such deficits, along with the difficulties encountered in managing a growing debt, is likely to complicate the flexible and timely administration of monetary policy.

Moreover, recent experience supports the view that conscious and active attempts to vary tax rates and spending to help avoid inflation and combat recession may well have perverse effects. Changes in tax rates and spending may sometimes take so long to plan, legislate, and put into effect that many months may pass from the time the need for a change in budget position becomes clear until the change actually affects total spending in the economy. By the time the actions become effective, the economy may have changed radically. As a consequence, large deficits may have their major impact during periods of rising business activity; surpluses may in fact be encountered during a business slump. Any proposals for an arrangement that would permit some sort of administrative variation in tax rates to counter cyclical trends, such as vesting additional authority in the Executive Branch, do not seem to be consistent with the system of checks and balances that is so important in our form of government.

Are we thus left only with the alternative of striving for a rigorous balance in the budget, year in and year out? I do not think that we are. The goal of a net surplus in the budget -- not only in prosperous periods but, on the average, over a longer period of time also -- is highly desirable. Furthermore, budget deficits of moderate size are probably unavoidable -- and indeed, desirable -- during periods of economic recession.

We should, in my opinion, follow some variation of the stabilizing budget proposal, in which budget policy, year in and year out, would be geared to the attainment of a surplus under conditions of strong economic activity and relatively complete use of labor and other resources. On this basis, the automatic decline in revenues and increase in expenditures during a recession -- reflecting in part the operation of the so-called "built-in stabilizers" -- would generate a moderate budget deficit. In prosperous periods, tax receipts would automatically rise and certain types of spending would contract, producing a budget surplus.

Over a period of a complete business cycle, a surplus for debt retirement would be achieved, but without the disrupting effects of necessarily attempting to balance the budget in recession. While intentional variations in tax rates and spending for cyclical purposes would thus be kept to a minimum, conditions might well arise in which such variations would be desirable.

But of one thing we can be certain: the over-all relationship between the demand for and supply of total output is still basic to any meaningful attempt at inflation control. Consequently, unless we are especially diligent in our efforts to prevent an unsustainable upsurge in economic activity during a period of expansion, we almost surely must resign ourselves to the price increases that result from such excesses. Moreover, as pointed out earlier, unsustainable upsurges tend to be followed by corrective recessions and consequent unemployment of labor and other resources.

Federal financial policies -- including Government actions with respect to the budget, monetary management, and public debt operations -- are generally recognized as having a significant impact on total demand for goods and services in the economy. As a result, the constructive use of these policies must stand in the forefront of our efforts to fight inflation, as well as our efforts to combat recessionary tendencies. We must recognize that, while such policies alone cannot assure success in our efforts to attain sustainable economic growth, their utilization in a prudent and responsible manner is essential.

Opinions differ as to how these three policies should be used, and this is especially true with respect to budget policy. According to one view, a period of actual or threatening inflation, reflecting at least in part the pressures of demand, would call for a large surplus in the Federal budget. This would be achieved by an increase in tax rates, a cut in expenditures, or some combination of the two. Such a surplus, it is argued, would help dampen total demand inasmuch as Government spending would fall short of revenues.

This program would, according to this view, be consciously and actively reversed during a recession. Reductions in tax rates and increases in expenditures would contribute to a large deficit in the budget; such a deficit would stimulate total demand, inasmuch as Government spending would exceed revenues.

This approach has some serious shortcomings in practice. For one thing, decisions as to taxes and spending programs often reflect many factors other than broad economic considerations. Moreover, the timely use of budget policy as a conscious countercyclical weapon is hampered by the fact that authority over taxation and spending is the joint responsibility of the Executive and the Congress and is not centered in one branch of the Government.

In addition, experience since the end of the Second World War indicates that it is much easier to achieve a budget deficit in a recession than a surplus in a period of economic expansion. Sizable deficits in recessions -- only partially offset by modest surpluses in periods of expansion -- tend to complicate the task of achieving sustainable growth in at least two ways. The net deficit over a period of years probably adds to inflationary pressures and secondly, The fact that inflation, if allowed to occur, can be expected to stunt our rate of growth in the future provides sufficient reason for determined efforts to prevent further erosion in the purchasing power of the dollar. We must also be continuously mindful of the impact of inflation on various groups in the economy, particularly those people whose incomes are relatively fixed, who live on the proceeds of pensions, annuities, social security, and similar types of savings.

Beyond these considerations is the important fact that further inflation can only impede our efforts to reduce the deficit in our international balance of payments -- a deficit which threatens to hamper our efforts to contribute as we should to the military security and economic strength of the free world. Our attack on this problem will continue to be consistent with our vital goal of promoting multilateral world trade. It will, in short, be directed -- not toward protectionism and restriction -- but toward liberalization and expansion of world commerce. We shall continue to search out appropriate ways of encouraging American exports of goods and services; to press for removal of discriminatory restrictions on dollar imports abroad; and to encourage other industrial countries to participate more adequately in the provision of capital to under-developed countries.

It would be an empty achievement, indeed, if we were apparently successful in these efforts, only to find that internal inflation in this country had impaired our competitiveness in foreign markets. Thus, international developments provide still another important reason for maintaining stability in the price level as we pursue our goals relating to growth and employment.

Inflation was held largely in check in 1959. Although consumer prices -- reflecting a continued uptrend in prices of all major groups except food -- rose by a small amount during the year, the wholesale price index actually declined slightly. While this performance was good, and is a cause for satisfaction, it is no cause for relaxation of our efforts to protect the purchasing power of the dollar.

In an economy so large and highly diversified, the causes of inflation are bound to be complex, and it follows that there is no single, simple cure. We know, for example, that inflationary pressures are fostered by waste and inefficiency, whether these occur with respect to business management, labor practices, individual actions, or the activities of government. A rise in certain types of costs of production faster than increases in productivity can also contribute to inflationary pressures. In addition, undue concentration of market power may permit certain industries to raise prices in the face of declining demands, and shifts of demand from one type of goods and services to another may also exert a net inflationary impact. The nature of some of these forces is not yet fully understood; further study and evaluation are necessary before policies to deal with them can be formulated.

TREASURY DEPARTMENT
Washington

STATEMENT BY TREASURY SECRETARY ROBERT B. ANDERSON BEFORE THE JOINT ECONOMIC COMMITTEE, TUESDAY, FEBRUARY 16, 1960, 10:00 A.M., EST.

Experience in the 1950's demonstrated the immense resiliency, strength, and adaptability of our free enterprise economy. As we enter the decade of the 1960's, the economic outlook is indeed encouraging. But we should not permit a favorable outlook to lull us into unwarranted complacency. The challenge that confronts us -- not solely in Government, but every individual, group, and institution in this country as well -- is to conduct our affairs in such manner as to prolong the prosperity that we are now enjoying.

Our budget projection of the economy for 1960 reflects this favorable outlook. It is always difficult, of course, to make specific assumptions covering a budget which extends over the next 18 months. Our best judgment is, however, that a gross national product of $510 billion can be reasonably projected for the calendar year 1960, compared with a $479 billion total for the calendar year 1959. Our projection of personal income for this calendar year is $402 billion, as compared with $380 billion in 1959. Our projection of corporate profits of $51 billion in this year compares with a $48 billion figure for the calendar year which has just been completed. All of these estimates are stated in terms of present price levels. We believe these estimates represent a realistic appraisal of the current outlook and fully support our projection of $84 billion of Federal Government revenue for the fiscal year 1961.

We must make certain that the growth we experience this year -- and in the decade as a whole -- is growth at a sustainable pace, unwarped by the distortions, imbalances, and excesses that, if allowed to emerge, inevitably sow the seeds of reaction and recession. This need for balanced growth emphasizes the necessity for combatting any incipient build-up of inflationary pressures.

Inflation -- either in the form of a gradual, insidious rise in the price level, or as a rapid increase of costs and prices -- is in fact the enemy of sustainable growth. Inflation breeds the very recessions and unemployment that stand as a barrier to sustained growth. And either the fear or the fact of inflation, by impairing the will to save in traditional, fixed-dollar forms, will in the long run lead to a shortage of savings to finance the real investment in plant and equipment that is so essential to the growth process.

TREASURY DEPARTMENT
Washington

STATEMENT BY TREASURY SECRETARY ROBERT B. ANDERSON BEFORE THE JOINT ECONOMIC COMMITTEE, TUESDAY, FEBRUARY 16, 1960, 10:00 A.M., EST.

Experience in the 1950's demonstrated the immense resiliency, strength, and adaptability of our free enterprise economy. As we enter the decade of the 1960's, the economic outlook is indeed encouraging. But we should not permit a favorable outlook to lull us into unwarranted complacency. The challenge that confronts us -- not solely in Government, but every individual, group, and institution in this country as well -- is to conduct our affairs in such manner as to prolong the prosperity that we are now enjoying.

Our budget projection of the economy for 1960 reflects this favorable outlook. It is always difficult, of course, to make specific assumptions covering a budget which extends over the next 18 months. Our best judgment is, however, that a gross national product of $510 billion can be reasonably projected for the calendar year 1960, compared with a $479 billion total for the calendar year 1959. Our projection of personal income for this calendar year is $402 billion, as compared with $380 billion in 1959. Our projection of corporate profits of $51 billion in this year compares with a $48 billion figure for the calendar year which has just been completed. All of these estimates are stated in terms of present price levels. We believe these estimates represent a realistic appraisal of the current outlook and fully support our projection of $84 billion of Federal Government revenue for the fiscal year 1961.

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Inflation -- either in the form of a gradual, insidious rise in the price level, or as a rapid increase of costs and prices -- is in fact the enemy of sustainable growth. Inflation breeds the very recessions and unemployment that stand as a barrier to sustained growth. And either the fear or the fact of inflation, by impairing the will to save in traditional, fixed-dollar forms, will in the long run lead to a shortage of savings to finance the real investment in plant and equipment that is so essential to the growth process.

The fact that inflation, if allowed to occur, can be expected to stunt our rate of growth in the future provides sufficient reason for determined efforts to prevent further erosion in the purchasing power of the dollar. We must also be continuously mindful of the impact of inflation on various groups in the economy, particularly those people whose incomes are relatively fixed, who live on the proceeds of pensions, annuities, social security, and similar types of savings.

Beyond these considerations is the important fact that further inflation can only impede our efforts to reduce the deficit in our international balance of payments -- a deficit which threatens to hamper our efforts to contribute as we should to the military security and economic strength of the free world. Our attack on this problem will continue to be consistent with our vital goal of promoting multilateral world trade. It will, in short, be directed -- not toward protectionism and restriction -- but toward liberalization and expansion of world commerce. We shall continue to search out appropriate ways of encouraging American exports of goods and services; to press for removal of discriminatory restrictions on dollar imports abroad; and to encourage other industrial countries to participate more adequately in the provision of capital to underdeveloped countries.

It would be an empty achievement, indeed, if we were apparently successful in these efforts, only to find that internal inflation in this country had impaired our competitiveness in foreign markets. Thus, international developments provide still another important reason for maintaining stability in the price level as we pursue our goals relating to growth and employment.

Inflation was held largely in check in 1959. Although consumer prices -- reflecting a continued uptrend in prices of all major groups except food -- rose by a small amount during the year, the wholesale price index actually declined slightly. While this performance was good, and is a cause for satisfaction, it is no cause for relaxation of our efforts to protect the purchasing power of the dollar.

In an economy so large and highly diversified, the causes of inflation are bound to be complex, and it follows that there is no single, simple cure. We know, for example, that inflationary pressures are fostered by waste and inefficiency, whether these occur with respect to business management, labor practices, individual actions, or the activities of government. A rise in certain types of costs of production faster than increases in productivity can also contribute to inflationary pressures. In addition, undue concentration of market power may permit certain industries to raise prices in the face of declining demands, and shifts of demand from one type of goods and services to another may also exert a net inflationary impact. The nature of some of these forces is not yet fully understood; further study and evaluation are necessary before policies to deal with them can be formulated.

But of one thing we can be certain: the over-all relationship between the demand for and supply of total output is still basic to any meaningful attempt at inflation control. Consequently, unless we are especially diligent in our efforts to prevent an unsustainable upsurge in economic activity during a period of expansion, we almost surely must resign ourselves to the price increases that result from such excesses. Moreover, as pointed out earlier, unsustainable upsurges tend to be followed by corrective recessions and consequent unemployment of labor and other resources.

Federal financial policies -- including Government actions with respect to the budget, monetary management, and public debt operations -- are generally recognized as having a significant impact on total demand for goods and services in the economy. As a result, the constructive use of these policies must stand in the forefront of our efforts to fight inflation, as well as our efforts to combat recessionary tendencies. We must recognize that, while such policies alone cannot assure success in our efforts to attain sustainable economic growth, their utilization in a prudent and responsible manner is essential.

Opinions differ as to how these three policies should be used, and this is especially true with respect to budget policy. According to one view, a period of actual or threatening inflation, reflecting at least in part the pressures of demand, would call for a large surplus in the Federal budget. This would be achieved by an increase in tax rates, a cut in expenditures, or some combination of the two. Such a surplus, it is argued, would help dampen total demand inasmuch as Government spending would fall short of revenues.

This program would, according to this view, be consciously and actively reversed during a recession. Reductions in tax rates and increases in expenditures would contribute to a large deficit in the budget; such a deficit would stimulate total demand, inasmuch as Government spending would exceed revenues.

This approach has some serious shortcomings in practice. For one thing, decisions as to taxes and spending programs often reflect many factors other than broad economic considerations. Moreover, the timely use of budget policy as a conscious counter-cyclical weapon is hampered by the fact that authority over taxation and spending is the joint responsibility of the Executive and the Congress and is not centered in one branch of the Government.

In addition, experience since the end of the Second World War indicates that it is much easier to achieve a budget deficit in a recession than a surplus in a period of economic expansion. Sizable deficits in recessions -- only partially offset by modest surpluses in periods of expansion -- tend to complicate the task of achieving sustainable growth in at least two ways. The net deficit over a period of years probably adds to inflationary pressures and secondly, the growth in the public debt that is implied by such deficits, along with the difficulties encountered in managing a growing debt, is likely to complicate the flexible and timely administration of monetary policy.

Moreover, recent experience supports the view that conscious and active attempts to vary tax rates and spending to help avoid inflation and combat recession may well have perverse effects. Changes in tax rates and spending may sometimes take so long to plan, legislate, and put into effect that many months may pass from the time the need for a change in budget position becomes clear until the change actually affects total spending in the economy. By the time the actions become effective, the economy may have changed radically. As a consequence, large deficits may have their major impact during periods of rising business activity; surpluses may in fact be encountered during a business slump. Any proposals for an arrangement that would permit some sort of administrative variation in tax rates to counter cyclical trends, such as vesting additional authority in the Executive Branch, do not seem to be consistent with the system of checks and balances that is so important in our form of government.

Are we thus left only with the alternative of striving for a rigorous balance in the budget, year in and year out? I do not think that we are. The goal of a net surplus in the budget -- not only in prosperous periods but, on the average, over a longer period of time also -- is highly desirable. Furthermore, budget deficits of moderate size are probably unavoidable -- and indeed, desirable -- during periods of economic recession.

We should, in my opinion, follow some variation of the stabilizing budget proposal, in which budget policy, year in and year out, would be geared to the attainment of a surplus under conditions of strong economic activity and relatively complete use of labor and other resources. On this basis, the automatic decline in revenues and increase in expenditures during a recession -- reflecting in part the operation of the so-called "built-in stabilizers" -- would generate a moderate budget deficit. In prosperous periods, tax receipts would automatically rise and certain types of spending would contract, producing a budget surplus.

Over a period of a complete business cycle, a surplus for debt retirement would be achieved, but without the disrupting effects of necessarily attempting to balance the budget in recession. While intentional variations in tax rates and spending for cyclical purposes would thus be kept to a minimum, conditions might well arise in which such variations would be desirable.

The budget submitted by the President for fiscal year 1961 is fully consistent with this approach; about 5 percent of Federal revenues are earmarked as a surplus for debt retirement. If economic conditions were to change drastically and recession were to set in -- a contingency which does not seem likely but is of course possible -- the surplus would automatically be converted into a moderate deficit as tax revenues decreased and certain types of expenditures rose.

With the economy operating at high and rising levels of activity, the achievement of a $4.2 billion surplus in the Federal budget will help reduce the burden on monetary policy and will also facilitate debt management. In my judgment, the lack of adequate surpluses in the prosperous years following the Second World War -- which has resulted in a more than $30 billion increase in the public debt since the end of 1946 -- has meant that monetary policy has been called upon to bear more than its proper share of the burden in promoting sustainable economic growth. This unavoidably heavy reliance on monetary policy may have contributed to wider swings in interest rates and capital values than would have been necessary if budgetary surpluses had been adequate. But it seems incorrect to argue that monetary policy has tried to assume too large a role; the conclusion is rather that the degree of monetary restraint has had to be greater than would have been the case if budgetary surpluses had been adequate.

To some observers, Treasury debt management -- the third Federal financial policy -- affords a highly useful technique for promoting sustainable economic growth. Although the Treasury attempts to manage the public debt in a manner consistent with the attainment of our basic economic goals and, insofar as possible, tries actively to promote these objectives, the vigorous use of debt management in this fashion is sometimes impeded by important practical considerations. Inasmuch as these difficulties have been described in detail in the material supplied by the Treasury to this Committee in connection with its recently completed study of employment, growth, and price levels, I shall not discuss them at this time.

During a period of strong business activity, however, the Treasury should at least possess sufficient flexibility in debt management to be able to avoid debt operations that actively promote inflationary pressures. Otherwise, the beneficial effects of prudent budget and monetary policies may in part be offset. In particular, reliance on inflationary short-term financing should be minimized, and a reasonable amount of long-term securities should be marketed, either through cash issues or in advance refunding of outstanding securities.

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Under today's market conditions, however, the 4-1/4 percent interest rate ceiling on new issues of Treasury bonds effectively prevents the Treasury from issuing any significant amount of new marketable securities of more than five years' maturity, either for cash or in exchange for securities at maturity or in advance of maturity. The Treasury is thus prevented from achieving any meaningful amount of debt lengthening -- or even of holding the average maturity of the debt close to its present length of only 4 years and 3 months. The interest rate ceiling is therefore forcing the Treasury to pursue inflationary debt management policies.

To the extent the Treasury concentrates its new issues in the four to five year maturity range, the decrease in the average maturity of the debt can be slowed, but there is a limit to the amount of securities of this maturity that can be sold without driving interest rates in this sector of the market to very high levels. Moreover, experience has indicated that undue concentration of new cash issues in the four to five year range, at the rates the Treasury would have to pay, might have a strong impact on the capital market -- and particularly the mortgage market -- as individuals withdraw funds from savings institutions to purchase the Treasury issues.

The restriction on interest rates that the Treasury can pay on new marketable bonds is in effect preventing the effective and proper use of Federal financial policies to promote sustainable economic growth. It would be regrettable indeed, if the salutary effects of prudent budget and monetary policies were permitted to be offset in part by so artificial a restriction. The President has once again urged removal of this harmful restriction, and it is to be hoped that early action in this respect will be taken, so that debt management can also bear its proper share of the burden in our efforts to achieve our vital economic goals.

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MEMORANDUM TO MR. MARTIN L. MOORE:

The following transactions were made in direct and guaranteed securities of the Government for Treasury investments and other accounts during the month of January 1960:

| | |
|---|---|
| Purchases ...................................... | $17,758,000.00 |
| Sales ........................................... | 208,500.00 |
| NET PURCHASES ..... | 17,549,500.00 |

# TREASURY DEPARTMENT 193

WASHINGTON, D.C.

IMMEDIATE RELEASE
~~Friday, January~~ 15, 1960. A-~~736~~ 766
Monday, February

During ~~December~~ January 1960, 1959, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of ~~$113,103,000~~ $17,549,500.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE,
Monday, February 15, 1960. A-766

During January 1960, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of $17,549,500.

oOo

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated November 27, 1959, ( 91 days remaining until maturity date on May 26, 1960 ) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 February 25, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 25, 1960 . 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

A-767

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Tuesday, February 16, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 25, 1960, in the amount of $1,600,274,000, as follows:

91-day bills (to maturity date) to be issued February 25, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated November 27, 1959, and to mature May 26, 1960, originally issued in the amount of $400,058,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated February 25, 1960, and to mature August 25, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Friday, February 19, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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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.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

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a plan which would provide for an orderly transfer of non hard-core MATS business to civil carriers under longer term contracts through which the carriers could realize reasonable profits. We think that under such a plan the carriers could, if they wished to handle this business, finance the purchase of efficient modern air cargo aircraft which could be available to the government in emergencies as well as in normal times. We believe that a government guaranteed program would be unjustified as well as unnecessary.

In our opinion there are a number of technical defects in the bill but I am not making any comment on them because we believe that no technical improvements would make the bill a satisfactory piece of legislation.

assurance of the air carrier's ability to repay the loan within the time fixed therefor." Such assurance could be furnished only by the certainty of profitable cargo traffic in the operation of the new aircraft or by well established earning power from other sources. How the certainty of profitable cargo traffic can be established before the new aircraft are in production is somewhat obscure, but it would seem possible primarily on the basis of the diversion of sufficient Military Air Transport Service traffic on such terms as to produce earnings for the borrowing carrier.

It seems to us self-evident that there is not in this situation real justification for a government guaranteed loan program. If the carrier can project earnings it should be able to arrange private financing. If not, a government guaranty under the terms of this bill could not be given. As a general policy, loan guaranty programs should not be established except under particular conditions of extreme urgency, which do not appear to exist in this situation. Certainly a government guaranty as a part of this program would establish a very unwise precedent. The type of cargo aircraft contemplated under this bill will be designed and produced by manufacturers and purchased by air carriers when there is enough business in sight to make them profitable. If such business is not in sight, a government guaranteed loan program, in our opinion, will not accomplish the purpose.

In summary the Treasury Department is very much in accord with whose costs could be accurately determined and whose performance could be projected with a great deal of certainty. Here the proposal is to guarantee loans to purchase aircraft which not only have never been produced but have not even been designed or developed.

I am sure that this Committee is familiar with the recently released Department of Defense study entitled "The Role of Military Air Transport Service in Peace and War." Of particular interest is the indication that increasing amounts of military air cargo traffic will be transferred to commercial carriers and that efforts may be made to enter into longer term contracts for the carrying of such traffic at profitable rates. If sufficient quantities of non hard-core cargo traffic are transferred from the military to commercial carriers, this should provide ample incentive to the civil air carriers to purchase efficient, economical modern cargo aircraft without any need for government guaranteed loans.

In addition, we understand that an efficient modern air cargo aircraft can be expected to have a direct operating cost per ton mile which would be a fraction of such cost for present piston engine planes. This factor together with the generally increased interest in air transportation of cargo should make a substantially expanded market for air transportation of non-military generated cargo.

We note that S. 2774 would require, among other things, that "the prospective earning power of the air carrier --- furnish reasonable

TREASURY DEPARTMENT
Washington

STATEMENT BY ASSISTANT SECRETARY OF THE TREASURY LAURENCE B. ROBBINS BEFORE THE AVIATION SUBCOMMITTEE OF THE SENATE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE ON S. 2774
ABOUT 11:00 A.M., WEDNESDAY, FEBRUARY 17, 1960

Mr. Chairman and Members of the Committee:

I am glad to have this opportunity to submit the views of the Treasury Department with respect to S. 2774.

This bill proposes to encourage the development by United States aircraft manufacturers of new efficient and modern cargo aircraft which will provide economical air cargo transportation and the acquisition of such aircraft by United States certificated air carriers. Under the proposed program the Civil Aeronautics Board would guarantee up to 90 percent of a loan for up to 75 percent of the cost of an aircraft. Guaranteed loans could not be for more than ten years and could not exceed $75,000,000 for any one carrier. Other terms and conditions of the guarantees are not spelled out in detail.

It would appear that the first problem in furthering the purposes expressed in the bill is the actual development of an appropriate aircraft meeting the desired specifications. It is our understanding that no such aircraft has as yet been developed by United States manufacturers. In every previous government guaranty program, to the best of my knowledge, loans have been based on manufactured products already in production,

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We note that S. 2774 would require, among other things, that "the prospective earning power of the air carrier --- furnish reasonable assurance of the air carrier's ability to repay the loan within the time fixed therefor." Such assurance could be furnished only by the certainty of profitable cargo traffic in the operation of the new aircraft or by well established earning power from other sources. How the certainty of profitable cargo traffic can be established before the new aircraft are in production is somewhat obscure, but it would seem possible primarily on the basis of the diversion of sufficient Military Air Transport Service traffic on such terms as to produce earnings for the borrowing carrier.

It seems to us self-evident that there is not in this situation real justification for a government guaranteed loan program. If the carrier can project earnings it should be able to arrange private financing. If not, a government guaranty under the terms of this bill could not be given. As a general policy, loan guaranty programs should not be established except under particular conditions of extreme urgency, which do not appear to exist in this situation. Certainly a government guaranty as a part of this program would establish a very unwise precedent. The type of cargo aircraft contemplated under this bill will be designed and produced by manufacturers and purchased by air carriers when there is enough business in sight to make them profitable. If such business is not in sight, a government guaranteed loan program, in our opinion, will not accomplish the purpose.

In summary the Treasury Department is very much in accord with a plan which would provide for an orderly transfer of non hard-core MATS business to civil carriers under longer term contracts through which the carriers could realize reasonable profits. We think that under such a plan the carriers could, if they wished to handle this business, finance the purchase of efficient modern air cargo aircraft which could be available to the government in emergencies as well as in normal times. We believe that a government guaranteed program would be unjustified as well as unnecessary.

In our opinion there are a number of technical defects in the bill but I am not making any comment on them because we believe that no technical improvements would make the bill a satisfactory piece of legislation.

offered before. We hope that these results are not conclusive; we much prefer, where feasible, to use the auction method of pricing Treasury securities because it avoids the difficult problems involved in pricing a new issue of securities. Thus, we shall continue to use the auction technique whenever the prospects for its economical application seem favorable, and we intend to maintain the new cycle of 1-year bills.

We do believe, however, that this experience with auctioning securities of only one year maturity raises serious questions with respect to recent proposals to auction even longer term Treasury securities -- even including long term bonds. As we have stated before, we are convinced that auctioning of longer term securities could only result in a much higher interest cost to the Treasury - a judgment strongly supported by the experience with the 1-year bills -- along with other serious disadvantages referred to in my testimony yesterday and described in detail in written material furnished earlier to the Committee.

Please do not hesitate to contact me if you desire to receive any further information on this subject.

Sincerely yours,

(Signed) Robert B. Anderson

Secretary of the Treasury

Honorable Thomas B. Curtis
House of Representatives
Washington 25, D. C.

Enclosure

Moreover, since January 1959 the Treasury has offered six issues of certificates and short-term notes with maturities of approximately one year. The average interest paid on these issues -- on which the Treasury fixed the interest rate rather than submitting the securities to auction -- was 4.26 percent, as compared with an approximate yield available in the market at the time on outstanding issues of comparable maturity of 4.08 percent. In these instances, the spread averaged 19 basis points or exactly half of the spread of 38 points on the new bill issues.

Two additional factors should be mentioned. In the first place, the average size of the five bill issues in terms of public participation (that is, excluding the Federal Reserve Banks and Government investment accounts) was $1.9 billion; the average amount of the offerings of certificates and notes taken by the public was $3.1 billion. It would be logical to expect that the larger issues would require a larger spread as compared with yields on outstanding issues of comparable maturity. It should be noted, on the other hand, that all but one of the certificate and note issues were refunding operations, while all but one of the bills issues were, in effect, cash issues. Although refundings on many occasions cause almost as much market churning and realignment of investor positions as cash issues, it is true that the market impact of a refunding is usually somewhat less than a cash issue of comparable size. Consequently, this characteristic of all but one of the note and certificate issues may, from the standpoint of yield comparisons of the type presented in this letter, offset the somewhat smaller size of the bill operations.

Secondly, all but one of the bill auctions (as contrasted with only one of the other offerings) involved the privilege of commercial bank payment for the securities by credit to the Treasury's tax and loan accounts at the banks. This means that a subscribing commercial bank could, if it so wished, buy between $5 and $9 of the new issue for every one dollar it had available in excess reserves, the precise amount depending on the reserve classification of the subscribing bank. Inasmuch as bids by commercial banks for all but one of the bill issues reflected the value of the tax and loan privilege, which induced the banks to act as underwriters and distributors of the securities and to bid lower interest rates (higher prices) than would otherwise be the case, it is reasonable to conclude that the true spread, adjusted for the effect of the tax and loan privilege, was something like 50 basis points on the bills auctions. This contrasts markedly with the spread of only 19 basis points on the offerings of certificates and notes, although this spread might perhaps be adjusted upward slightly in view of the fact that one of these 6 issues carried tax and loan privilege.

After carefully studying the results of the operations described above, we have concluded that under conditions as they existed during the past year or so the Treasury, on average, might well have saved 1/4th of 1 percent or more if it had offered fixed rate certificates rather than the new 1-year bills at auction. Admittedly, this experience may not be conclusive inasmuch as the issuance of the 1-year bills at auction represented a new departure in Treasury debt management -- namely, the introduction of a much longer Treasury bill than had ever been

RELEASE A.M. NEWSPAPERS
Thursday, February 18, 1960

A-769

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February 17, 1960

Dear Mr. Curtis:

This letter is in response to your request for amplification of my testimony before the Joint Economic Committee yesterday, in which I discussed our recent experience with sale of the new 1-year Treasury bills at auction. As I pointed out to the Committee, we are convinced that such experience casts serious doubts on the advisability of an early extension of the auction technique to the sale of longer term Treasury securities.

Our willingness to extend the auction technique, where feasible and appropriate, is indicated by the fact that the Treasury has made more use of auctions during the past 15 months then at any time in the past, and by the fact that the amount of Treasury bills outstanding at the present time exceeds $41 billion or more than double the amount outstanding five years ago. All of these bills were sold at auction. New series of bills instituted within the past 15 months include the 26-week bills, which total $10.8 billion, and the four issues of 1-year bills, which mature quarterly and amount to $7.5 billion.

Our experience in auctioning the 1-year bills, however, raises serious questions as to whether the auction technique is the most economical way of handling Treasury short-term financing. Since January 1, 1959, for example, the Treasury has on five occasions offered bills at auction in its new cycle of quarterly maturities. The average rate of discount in these auctions was 4.38 percent, as compared with an average yield of 4.22 percent on outstanding securities of comparable maturity available in the market. This indicates a spread of 16 basis points or 0.16 percent. (These figures, along with other data on the subject, are presented in the attached table.)

This 4.38 percent rate of discount, however, understates considerably the true yield on the bills to the investor, as well as the true interest cost to the Treasury. This is partly because Treasury bills are traded in the market on the basis of bank discount rather than actual investment yield (the bills are issued at a discount from par), and partly because the market yields quoted on bills are based on 360 days rather than the actual number of days in the year. (The Treasury, in its public announcements of the results of all bill auctions, states the yield both in terms of the normal market practice and the true investment return.) When adjustment is made for these two factors, which are much more important when interest rates are relatively high and on the longer maturities, the true yield to the investor and the true cost to the Treasury on these five issues since January 1, 1959, comes to 4.60 percent, rather than 4.38 percent. Viewed from this standpoint, therefore, the average spread between yields on outstanding Government issues of comparable maturity and the new quarterly bills sold at auction amounted to 38 basis points instead of 16 basis points.

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Moreover, since January 1959 the Treasury has offered six issues of certificates and short-term notes with maturities of approximately one year. The average interest paid on these issues -- on which the Treasury fixed the interest rate rather than submitting the securities to auction -- was 4.26 percent, as compared with an approximate yield available in the market at the time on outstanding issues of comparable maturity of 4.08 percent. In these instances, the spread averaged 19 basis points or exactly half of the spread of 38 points on the new bill issues.

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After carefully studying the results of the operations described above, we have concluded that under conditions as they existed during the past year or so the Treasury, on average, might well have saved 1/4th of 1 percent or more if it had offered fixed rate certificates rather than the new 1-year bills at auction. Admittedly, this experience may not be conclusive inasmuch as the issuance of the 1-year bills at auction represented a new departure in Treasury debt management -- namely, the introduction of a much longer Treasury bill than had ever been offered before. We hope that these results are not conclusive; we much prefer, where feasible, to use the auction method of pricing Treasury securities because it avoids the difficult problems involved in pricing a new issue of securities. Thus, we shall continue to use the auction technique whenever the prospects for its economical application seem favorable, and we intend to maintain the new cycle of 1-year bills.

We do believe, however, that this experience with auctioning securities of only one year maturity raises serious questions with respect to recent proposals to auction even longer term Treasury securities -- even including long term bonds. As we have stated before, we are convinced that auctioning of longer term securities could only result in a much higher interest cost to the Treasury - a judgment strongly supported by the experience with the 1-year bills -- along with other serious disadvantages referred to in my testimony yesterday and described in detail in written material furnished earlier to the Committee.

Please do not hesitate to contact me if you desire to receive any further information on this subject.

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Secretary of the Treasury

Honorable Thomas B. Curtis
House of Representatives
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Enclosure

213 A-770

RELEASE A. M. NEWSPAPERS, Saturday, February 20, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated November 27, 1959, and the other series to be dated February 25, 1960, which were offered on February 16, were opened at the Federal Reserve Banks on February 19. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 May 26, 1960 | | 182-day Treasury bills maturing August 25, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.969 a/ | 4.079% | 97.791 b/ | 4.369% |
| Low | 98.936 | 4.209% | 97.770 | 4.411% |
| Average | 98.946 | 4.168% 1/ | 97.778 | 4.396% 1/ |

a/ Excepting one tender of $200,000; b/ Excepting one tender of $1,000
18 percent of the amount of 91-day bills bid for at the low price was accepted
15 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 23,299,000 | $ 13,299,000 | $ 6,192,000 | $ 6,192,000 |
| New York | 1,518,226,000 | 889,122,000 | 617,303,000 | 294,603,000 |
| Philadelphia | 22,535,000 | 10,535,000 | 8,548,000 | 3,418,000 |
| Cleveland | 21,798,000 | 21,798,000 | 35,012,000 | 25,662,000 |
| Richmond | 15,958,000 | 15,958,000 | 1,634,000 | 1,634,000 |
| Atlanta | 28,932,000 | 28,286,000 | 4,881,000 | 4,796,000 |
| Chicago | 156,747,000 | 95,787,000 | 70,255,000 | 26,335,000 |
| St. Louis | 18,203,000 | 16,703,000 | 3,728,000 | 3,728,000 |
| Minneapolis | 10,727,000 | 10,645,000 | 3,983,000 | 2,428,000 |
| Kansas City | 33,428,000 | 30,968,000 | 7,427,000 | 7,327,000 |
| Dallas | 11,787,000 | 11,787,000 | 3,423,000 | 3,423,000 |
| San Francisco | 61,444,000 | 55,944,000 | 24,291,000 | 20,741,000 |
| TOTALS | $1,923,084,000 | $1,200,832,000 c/ | $786,677,000 | $400,287,000 |

c/ Includes $189,465,000 noncompetitive tenders accepted at the average price of 98.946
d/ Includes $42,047,000 noncompetitive tenders accepted at the average price of 97.778
1/ Average rate on a coupon issue equivalent yield basis is 4.28% for the 91-day bills and 4.57% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

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following balance of payments developments. In fact, you are one of the segments of our economic international life which we are and shall analyze rather carefully. In any case, whatever your direct effect on the balance of payments, yours is a problem of costs and efficiency. If you can improve these, you are doing a service to our economy and I wish you, therefore, all possible good luck in your endeavors.

for their exporters, and there is some evidence that our own exporters have on occasion lost business because more favorable credit terms were available from other countries. We are now exploring the need and usefulness of additional facilities for export credit guarantees and financing in the short-term field.

The remaining direction of our present efforts to ease the difficulties in our balance of payments is related to U. S. procurement in connection with our foreign aid program. Vance Brand will talk to you about this policy in greater detail.

Well, where does all of this leave _you_ gentlemen and where does it affect the activities which you hope to develop as the result of your meetings here? Obviously you will be importers of merchandise when you have developed your foreign sources of supplies. That means you will contribute through your payments to the accumulation of short-term assets in the U. S. by the industrialized nations or you will increase the ability of the poorer nations to purchase goods and services in the U. S. Potentially you will have other points of contact with the balance of payments. For instance, if you establish your own subsidiaries abroad to supply you with component parts you will contribute to the outflow of U. S. investments in the form of funds, equipment or know-how. You see, you are a very interesting group to those in the government who are

Articles of that organization. Since that time many countries have reduced their barriers to our imports, and we are further pursuing our efforts to diminish such discrimination. Under Secretary of State Dillon, at a meeting of the GATT held in Tokyo last October, outlined the difficulties which we have recently encountered in our balance of payments, and urged the removal of discriminatory restrictions against our imports and just prior to that meeting the IMF had declared that most countries no longer had balance of payments justification for trade discrimination. At the general negotiating sessions for the reduction of tariffs which are to begin in September of this year under the auspices of the GATT, we intend to pursue our goal of expanded opportunities for our exports. New emphasis is being given to these measures as a recognition by us and, I may add, most of our friends abroad, of changed conditions.

Through the activities of the Export-Import Bank, we have for many years been engaged in an effort to promote our foreign trade by financial means. From time to time our efforts in this field have been reviewed. Recently, suggestions have been made that the facilities of the U. S. Government in this field, which up to the present time have been used largely to provide medium and long-term credits and guarantees, should be expanded to cover exports which are normally traded on the basis of short-term credits. A number of other exporting countries have provided such facilities markets. In this manner our Government is trying to stimulate increased interest and efficiency in foreign sales.

It is interesting to contemplate on what our [redacted] country could achieve if exports could ever become the matter of national objective which they are in most of the industrialized countries of Europe. Italy exports partly to reduce unemployment, and the United Kingdom to be able to buy [redacted] food and raw materials. They and other countries are export conscious, they style many of their goods specifically for the foreign markets, provide servicing of their goods abroad, and devote a not inconsiderable part of their national effort to foreign sales. In the United States neither Government nor private enterprise make, on the whole, a comparable effort. They should -- and they must if we are to continue our present international political and economic activities.

Aside from a promotion of our exports, our efforts to improve our capacity to compete have so far been directed chiefly at a reduction of tariff barriers and quota restrictions, and to the removal of discriminatory controls on dollar imports which some other countries still maintain. Secretary of the Treasury Anderson, in September of last year in a statement to the Annual Meeting of the International Monetary Fund, indicated the view of the United States that countries which no longer suffer from inconvertibility in their current account balance do no longer have any balance of payments justification for continued discriminatory restrictions under the particularly if the countries of Western Europe which now have large surpluses in their balance of payments recognize the need to encourage imports from the U. S. and other areas.

As you know, the Department of Commerce carries on an extensive program of informational and promotional activity in the foreign trade field. Plans are now under way to improve and expand these facilities for exporters. It is PLANNED that these activities will include a strengthening of the Foreign Commercial Service in order to: provide timely detailed information on trade prospects; find suitable foreign agents for U. S. firms, (that is, you); provide overseas facilities for the dissemination of promotional material by American business firms; assist business firms in adapting their promotional activities to local needs; arrange appointments with prospective purchasers; and the like. In addition to these continuing activities, the Department of Commerce plans to expand its work abroad with respect to Trade Information Centers; in providing foreign exhibits of American products known as World Trade Centers; through participation in International Trade Fairs; and through the sending abroad of Trade Missions of American businessmen to meet with local industry and government groups. These expanded activities are likely to prove especially helpful to the smaller and medium-sized firms which do not have adequate foreign trade information, and to other firms which have not fully explored the opportunities which may exist in foreign

U. S. exports in return for concessions which we have granted on an equivalent value of imports from abroad. Another general conference of the GATT countries is scheduled for September of this year when we hope particularly to minimize the impact of the Common Market tariff on U. S. exports.

The GATT forum has been a restraining influence in preventing trade contraction resulting from the unnecessary use of quota restrictions. During the last two of three sessions of the Contracting Parties in particular, the consultation provisions of the GATT, in coordination with related provisions of the International Monetary Fund Articles, have enabled U. S. representatives to obtain a very considerable relaxation of balance-of-payments restrictions, especially discriminatory ones, previously imposed on our exports. You see, then, that GATT has not been a one-way street of U. S. concessions but has been mutually profitable.

In our view continuation of the liberal commercial policy exemplified by our trade agreements program is amply justified. To reverse our policy by resorting to restrictions might merely serve to contract world trade without any special benefits to us.

More realistic and feasible than A CUT IN FOREIGN AID OR RESTRICTION ON OUR IMPORTS ~~the remedies which we have just discussed~~ is the effort now being made to improve our competitive position in foreign markets. A sustained and many-pronged effort to improve our exports may in the long run have considerable success, international commercial policy we have increasingly followed and sponsored for nearly three decades. Moreover, even from the point of view of purely national interests, our capacity to sustain the growth of our own standard of living without drawing upon essential resources from abroad is highly questionable. Present United States commercial policy is designed to promote the expansion of sound two-way trade between the free nations through the reduction of barriers which impede the enlargement of such world trade. This we have done by reducing tariffs on a reciprocal basis and by insisting upon the elimination of quantitative restrictions as soon as the need for them has disappeared. Since the war, world commerce has expanded considerably. We believe that the leadership of the United States in pressing for international trade in conformity with our own commercial policy is in no small measure responsible for this.

The principal present vehicle for accomplishing general tariff reductions has been the international agreement known as the "General Agreement on Tariffs and Trade" (GATT) to which the United States is a contracting party under the authority of our Trade Agreement Act. Thirty-six other countries are also contracting parties to the GATT by which more than 80 percent of world trade is covered.

As a result of this international agreement, we have obtained tariff concessions from other countries on about $7 billion of

Beyond these basic requirements of domestic policy there are a number of administrative and other measures in the international field which could give relief to our balance of payments situation.

We could cut down severely on our foreign expenditures, either for military or economic aid, or both. This approach, however, would have important military and political consequences and in the case of economic aid reductions might affect our efforts to assist the under-developed countries in their struggle to raise their standards of living. Also on purely financial terms we may in some cases lose more than we would save in foreign exchange. We can and have, of course, reduced our aid to those countries which do not need it any longer. In particular, we are engaged in negotiations with other economically strong countries in an effort to have them share with us an increasing amount of our aid to the under-developed countries. This is a long-range undertaking but one which promises considerable savings in the end. We have also negotiated a charter of the International Development Association through which the other, stronger countries will make available substantial amounts of their currencies for loans to the under-developed areas of the free world.

Another "cure" to our balance of payments problem which we must reject is the effort to cut our imports through increased duties or restrictions. This approach would run counter to the nature. Nevertheless, a strong effort must be made now to work towards a reasonable equilibrium in our international payments. There are a number of ways in which this can be attempted -- but not all of them are equally appealing.

Let me underline at this point the very close relationship between this question of an internationally strong dollar and our domestic monetary and fiscal policies, and the important extent to which these policies are under continuous scrutiny by those who keep their monetary reserves in dollars. Our Government is well aware of the need to sustain the value of the dollar through the prudent conduct of our monetary and fiscal policies, and to thus maintain and strengthen our competitive strength internationally as well as our economic strength domestically. To accomplish this objective, it has sought to follow fiscal policies which would avoid inflation and yet meet the very large requirements for public expenditures both at home and abroad. It has followed monetary policies designed to maintain a stable purchasing power for the dollar, and an adequate basis for large and growing savings. These policies were always important. Now that we must watch our balance of payments more closely they assume added significance. We can no longer ignore the mutual effect which domestic and international economic factors have on each other in relation to our general well-being.

large part because their owners consider the dollar a "reserve currency", that is to say they have enough faith in the economic and political stability in our country to leave part of their external financial reserves in our currency instead of gold or some other currency. The United States dollar today is the important reserve currency of the world although such international reserves are also kept in pound sterling, in particular, by members of the ~~British Commonwealth.~~ Sterling Area. The fact that our dollar is a reserve currency creates for us special problems of liquidity and of money market administration and imposes special responsibilities on our monetary authorities. Like a prudent banker, the United States Government must organize its affairs in such a manner as will inspire the confidence of its depositors. Our gold stock is, as I said before, a comfortably large reserve against the potential claims -- i.e., foreign dollar holdings -- under the present conditions. Clearly, however, as the ratio of our gold to potential liabilities becomes smaller we must pay increasing attention to this problem. This is one of the important consequences of our changed international position. Clearly, the U. S. cannot afford for many years the balance of payments deficits of anything like the size incurred during 1958 and 1959. A number of published studies on the export picture predict an improvement in the export volume during 1960 some of which, however, may be of a temporary

Now let us contrast these changes in foreign dollar holdings with the condition of our gold reserves. At the end of December 1959, our stock of gold stood at $19.5 billion, as compared with a level of $24.6 billion at the end of 1949. Of this amount, over $12 billion are required for our own monetary reserves, which are fixed by law at 25 percent of the note and deposit liabilities of the Federal Reserve System.

Of course, today's gold stock of the U. S. is a rather comfortable reserve. As long as we do not have to be concerned about any unusual and unexpected demands on our gold supply the present ratio of gold to foreign dollar holdings is an ample one. After all, it is convenient for foreigners to keep their reserves in a first class convertible currency where they can earn a good return on their funds, as contrasted to gold where safekeeping and other costs rather than income are incurred. Also, large operating balances are required in connection with their trade with the U. S. and it is thus really not in the interest of the owners to withdraw these balances and convert them into gold. The existence of large liquid dollar holdings by foreigners attests to the confidence which other governments and their citizens have in our currency.

Let me say a few words about the implications of these $17½ billion dollars of bank balances and short-term U. S. Treasury securities which foreign countries hold here. They are here in this assurance since now the growing foreign short-term dollar holdings became a potential claim on our gold rather than being used for the purchase of our goods. The growth of these dollar holdings during the past two years has been quite remarkable and reflects clearly the changed international position of the U. S. Although in the past decade foreigners had regularly been making gold and liquid dollar gains from their transactions with the United States, the average from 1950 - 1957 being $1.3 billion a year, they gained $3.4 billion in 1958. The estimate for 1959 is a foreign gain of $3.7 billion, and the National Foreign Trade Council predicts that foreign gains will be at the very substantial level of $2.9 billion in 1960.

Taking a longer look back, liquid dollar holdings of foreign countries, i.e., bank deposits and short-term high grade investments, nearly tripled during the past decade. They rose from a level of approximately $6.4 billion at the end of 1949 to over $17.5 billion at the end of November 1959. This includes short-term dollar holdings of foreign governments (mostly those of Western Europe) which rose from approximately $3 billion to $9 billion during this period, and private short-term holdings which rose from approximately $3 billion to $7 billion. The rest of the increase was in foreign-held longer-term U. S. Government bonds and notes held on both official and private account which rose to $1.5 billion from ½ billion.

grants and loans. As the decade of the '50's progressed, however, and the economies of Western Europe and of Japan were restored, competition ~~of~~ To our exports for foreign markets increased. Export categories which declined notably were iron and steel products, steel scrap and pig iron, crude petroleum, coal, and cotton, agricultural machinery, industrial tractors, power generating equipment, office machinery, commercial motor vehicles, passenger cars, and textiles. ~~After 1952~~ For many years, our exports [illegible] failed to keep pace with our imports, and our merchandise export surplus ~~on goods and services~~ account (which ~~incidentally disappeared last year)~~ is no longer sufficient to pay for the outflow of public and private capital - this is one of the cardinal factors in our balance of payments problem today.

As a result of the above developments, gold and dollar holdings of other countries have increased considerably and we have had to dip into our gold reserves which are now down to $19.5 billion after a high of $24.6 billion at the end of 1949. During the early '50's when this movement started it was not a cause of concern to us. In fact, we were anxious to assist foreign governments in building up their financial reserves. Recently, however, we have had to re-orient our thinking to some extent. In the early post-war period we could be reasonably certain that the dollars acquired by foreigners would be spent for U. S. goods and services within a reasonable period. "The dollars all come home eventually" we used to say. As the dollar shortage disappeared, we could no longer feel deficit -- perhaps rather modestly so far, but possibly in an increasing ratio when and if the twin problems of cost and efficiency will more strongly affect your domestic and foreign sales. The increase in our imports has been rather spectacular and has been an important factor in our worsened trade balance. They averaged about $11 billion in the early 50's, were nearly $13 billion in 1958, and showed a record figure of over $15 billion last year.

To cite a few of the items in which our imports have grown: As late as 1956, we exported about $200 million more automobiles than we imported, but in the year ending September 1959 our automobile imports were ahead of our exports by about $450 million. Under the influence largely of the steel strike, we shifted last year from a net exporter of finished steel products to a net importer. In the textile field, our change from a net exporter to a net importer began as early as 1956, and in the year ending September 1959 our export deficit in these products reached a record high.

On the earning side of our balance of payments ledger conditions have deteriorated too. During the early post-war years we experienced little competition in selling our goods in foreign markets. The demand for our products was virtually unlimited, and it was restricted only by the extent to which we were willing to supplement foreign exchange resources of foreign buyers by dollar foreign exchange expenditures abroad on the part of our troops and their dependents.

From 1956 through 1958, for example, these three categories of public and private expenditures averaged $8.7 billion. In these three years our military expenditures abroad averaged $3.2 billion, private U. S. capital outflow $3.0 billion and U. S. Government capital $2.5 billion. In 1959, partly as a result of prepayments of over $400 million by European countries on their postwar indebtedness to the U. S. Government, and a reduction of about $1/2 billion in private U. S. capital outflow, these three expenditure categories were reduced in total but remained very large at $7.4 billion. Our merchandise imports, however, rose by $2.4 billion, more than offsetting these reduced outpayments. In this connection it should, however, be noted that private investment abroad frequently creates valuable assets, the income from which is an item of dollar receipts in our balance of payments.

With respect to imports, our expanding domestic economy has generated growing needs for raw materials from foreign sources, a factor which has become increasingly important as we have depleted sources of supply of some of these materials in our own country. As our standard of living has increased, our citizens have been able to afford more extensively the finished products of other countries and many of these are in the luxury class. The very activity which you will be discussing here has contributed to our

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It is only a few years ago that most of the public was thinking of the U. S. balance of payments in terms of a dollar shortage and that many of our efforts were bent on helping other countries to rebuild their dollar reserves. Ever since the end of the war this has been one of the [illegible] purposes of many of our financial policies in the international field. Now suddenly during the past year we have had to take a <u>new</u> look at a <u>new</u> situation, and suddenly fellows like me are being invited to speak on a subject so largely ignored by meetings of this type in the past. This newly found importance of a previously quiet subject has not come upon us unexpectedly but it is rather the cumulative effect of a number of factors which have developed quietly and gradually in our international payments position.

In every year since 1950, with the exception of 1957 because of the Suez crisis, the U. S. has experienced a deficit in its international balance of payments. The general factors which have brought about this deficit are easily established. There is no one factor which could be singled out; there are a number of them of equal importance. On the "outflow" side of our balance of payments we have been extending substantial economic governmental aid, ~~both economic and military,~~ to foreign countries, and our private citizens and corporations have been investing heavily abroad. Our large military establishments overseas have involved large additional

Treasury Department
Washington

Hold For Release On Delivery

REMARKS BY ALFRED H. VON KLEMPERER, ASSISTANT TO THE SECRETARY OF THE TREASURY AT A MEETING OF THE AMERICAN MANAGEMENT ASSOCIATION, NEW YORK CITY, (MONDAY) FEBRUARY 22, 1960, 9:30 A.M., EST.

## The United States Balance of Payments in a Changing World Economy

Let me first express my sympathies to you for having to start what promises to be a most stimulating and interesting three-day symposium with a subject as unexciting and complicated as the United States Balance of International Payments. This is particularly true today, since this is not only a Monday morning but also a legal holiday and we probably should all have stayed in bed. Having said this, I must hasten to assure you, however, that the activities which you will be discussing during the next few days have a very direct bearing on our balance of payments and that the latter is today a topic of very considerable importance in its own right. That was not always so. Many of you, I am sure, have often struggled extensively with the balance of payments of foreign countries in connection with your companies' receivables abroad or other payments in connection with prospective imports or investments. Few of us, however, have paid much, if any, attention to our own. This was one problem about which we did not have to worry because of our comfortable trade surpluses and because of our large external reserves which frequently exceeded 50% of the world's total holdings of monetary gold outside Russia.

A-771

TREASURY DEPARTMENT
Washington

HOLD FOR RELEASE ON DELIVERY

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## THE UNITED STATES BALANCE OF PAYMENTS IN A CHANGING WORLD ECONOMY

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It is only a few years ago that most of the public was thinking of the U. S. balance of payments in terms of a dollar shortage and that many of our efforts were bent on helping other countries to rebuild their dollar reserves. Ever since the end of the war this has been one of the purposes of many of our financial policies in the international field. Now suddenly during the past year we have had to take a new look at a new situation, and suddenly fellows like me are being invited to speak on a subject so largely ignored by meetings of this type in the past. This newly found importance of a previously quiet subject has not come upon us unexpectedly but it is rather the cumulative effect of a number of factors which have developed quietly and gradually in our international payments position.

A-771

holdings of foreign governments (mostly those of Western Europe) which rose from approximately $3 billion to $9 billion during this period, and private short-term holdings which rose from approximately $3 billion to $7 billion. The rest of the increase was in foreign-held longer-term U. S. Government bonds and notes held on both official and private account which rose to $1.5 billion from 1/2 billion.

Now let us contrast these changes in foreign dollar holdings with the condition of our gold reserves. At the end of December 1959, our stock of gold stood at $19.5 billion, as compared with a level of $24.6 billion at the end of 1949. Of this amount, over $12 billion are required for our own monetary reserves, which are fixed by law at 25 percent of the note and deposit liabilities of the Federal Reserve System.

Of course, today's gold stock of the U.S. is a rather comfortable reserve. As long as we do not have to be concerned about any unusual and unexpected demands on our gold supply the present ratio of gold to foreign dollar holdings is an ample one. After all, it is convenient for foreigners to keep their reserves in a first class convertible currency where they can earn a good return on their funds, as contrasted to gold where safekeeping and other costs rather than income are incurred. Also, large operating balances are required in connection with their trade with the U. S. and it is thus really not in the interest of the owners to withdraw these balances and convert them into gold. The existence of large liquid dollar holdings by foreigners attests to the confidence which other governments and their citizens have in our currency.

Let me say a few words about the implications of these $17-1/2 billion dollars of bank balances and short-term U.S. Treasury securities which foreign countries hold here. They are here in large part because their owners consider the dollar a "reserve currency", that is to say they have enough faith in the economic and political stability in our country to leave part of their external financial reserve in our currency instead of gold or some other currency. The United States dollar today is the important reserve currency of the world although such international reserves are also kept in pound sterling, in particular, by members of the Sterling Area. The fact that our dollar is a reserve currency creates for us special problems of liquidity and of money market administration and imposes special responsibilities on our monetary authorities. Like a prudent banker, the United States Government must organize its affairs in such a manner as will inspire the confidence of its depositors. Our gold stock is, as I said before, a comfortably large reserve against the potential claims -- i. e., foreign dollar holdings -- under the present conditions. Clearly, however, as the ratio of our gold to potential liabilities becomes smaller we must pay increasing attention to this problem. This is one of the important consequences of our changed international position. Clearly, the U. S. cannot afford for many years the balance of payments deficits of anything like the size incurred during 1958 and 1959. A number of published studies on the export picture predict an improvement in the export volume during 1960 some of which, however, may be of a temporary nature. Nevertheless, a strong effort must be made now to work towards a reasonable equilibrium in our international payments. There are a number of ways in which this can be attempted -- but not all of them are equally appealing.

Let me underline at this point the very close relationship between this question of an internationally strong dollar and our domestic monetary and fiscal policies, and the important extent to which these policies are under continuous scrutiny by those who keep their monetary reserves in dollars. Our Government is well aware of the need to sustain the value of the dollar through the prudent conduct of our monetary and fiscal policies, and to thus maintain and strengthen our competitive strength internationally as well as our economic strength domestically. To accomplish this objective, it has sought to follow fiscal policies which would avoid inflation and yet meet the very large requirements for public expenditures both at home and abroad. It has followed monetary policies designed to maintain a stable purchasing power for the dollar, and an adequate basis for large and growing savings. These policies were always important. Now that we must watch our balance of payments more closely they assume added significance. We can no longer ignore the mutual effect which domestic and international economic factors have on each other in relation to our general well-being.

Beyond these basic requirements of domestic policy there are a number of administrative and other measures in the international field which could give relief to our balance of payments situation.

We could cut down severely on our foreign expenditures, either for military or economic aid, or both. This approach, however, would have important military and political consequences and in the case of economic aid reductions might affect our efforts to assist the under-developed countries in their struggle to raise their standards of living. Also on purely financial terms we may in some cases lose more than we would save in foreign exchange. We can and have, of course, reduced our aid to those countries which do not need it any longer. In particular, we are engaged in negotiations with other economically strong countries in an effort to have them share with us an increasing amount of our aid to the under-developed countries. This is a long-range undertaking but one which promises considerable savings in the end. We have also negotiated a charter of the International Development Association through which the other, stronger countries will make available substantial amounts of their currencies for loans to the under-developed areas of the free world.

Another "cure" to our balance of payments problem which we must reject is the effort to cut our imports through increased duties or restrictions. This approach would run counter to the international commercial policy we have increasingly followed and sponsored for nearly three decades. Moreover, even from the point of view of purely national interests, our capacity to sustain the growth of our own standard of living without drawing upon essential resources from abroad is highly questionable. Present United States commercial policy is designed to promote the expansion of sound two-way trade between the free nations through the reduction of barriers which impede the enlargement of such world trade. This we have done by reducing tariffs on a reciprocal basis and by insisting upon the elimination of quantitative restrictions as soon as the need for them has disappeared. Since the war, world commerce has expanded considerably. We believe that the leadership of the United States in pressing for international trade in conformity with our own commercial policy is in no small measure responsible for this.

The principal present vehicle for accomplishing general tariff reductions has been the international agreement known as the "General Agreement on Tariffs and Trade" (GATT) to which the United States is a contracting party under the authority of our Trade Agreement Act. Thirty-six other countries are also contracting parties to the GATT by which more than 80 percent of world trade is covered.

As a result of this international agreement, we have obtained tariff concessions from other countries on about $7 billion of U. S. exports in return for concessions which we have granted on an equivalent value of imports from abroad. Another general conference of the GATT countries is scheduled for September of this year when we hope particularly to minimize the impact of the Common Market tariff on U. S. exports.

The GATT forum has been a restraining influence in preventing trade contraction resulting from the unnecessary use of quota restrictions. During the last two of three sessions of the Contracting Parties in particular, the consultation provisions of the GATT, in coordination with related provisions of the International Monetary Fund Articles, have enabled U.S. representatives to obtain a very considerable relaxation of balance-of-payments restrictions, especially discriminatory ones, previously imposed on our exports. You see, then, that GATT has not been a one-way street of U. S. concessions but has been mutually profitable.

In our view continuation of the liberal commercial policy exemplified by our trade agreements program is amply justified. To reverse our policy by resorting to restrictions might merely serve to contract world trade without any special benfits to us.

More realistic and feasible than a cut in foreign aid or restrictions on our imports is the effort now being made to improve our competitive position in foreign markets. A sustained and many-pronged effort to improve our exports may in the long run have considerable success, particularly if the countries of Western Europe which now have large surpluses in their balance of payments recognize the need to encourage imports from the U. S. and other areas.

As you know, the Department of Commerce carries on an extensive program of informational and promotional activity in the foreign trade field. Plans are now under way to improve and expand these facilities for exporters. It is planned that these activities will include a strengthening of the Foreign Commercial Service in order to: provide timely detailed information on trade prospects; find suitable foreign agents for U. S. firms, (that is, you); provide overseas facilities for the dissemination of promotional material by American business firms; assist business firms in adapting their promotional activities to local needs; arrange appointments with prospective purchasers; and the like. In addition to these continuing activities, the Department of Commerce plans to expand its work abroad with respect to Trade Information Centers; in providing foreign exhibits of American products known as World Trade Centers; through participation in International Trade Fairs; and through the sending abroad of Trade Missions of American businessmen to meet with local industry and government groups. These expanded activities are likely to prove especially helpful to the smaller and medium-sized firms which do not have adequate foreign trade information, and to other firms which have not fully explored the opportunities which may exist in foreign markets. In this manner our Government is trying to stimulate increased interest and efficiency in foreign sales.

It is interesting to contemplate on what our country could achieve if exports could ever become the matter of national objective which they are in most of the industrialized countries of Europe. Italy exports partly to reduce unemployment, and the United Kingdom to be able to buy food and raw materials. They and other countries are export conscious, they style many of their goods specifically for the foreign markets, provide servicing of their goods abroad, and devote a not inconsiderable part of their national effort to foreign sales. In the United States neither Government nor private enterprise make, on the whole, a comparable effort. They should -- and they must if we are to continue our present international political and economic activities.

Aside from a promotion of our exports, our efforts to improve our capacity to compete have so far been directed chiefly at a reduction of tariff barriers and quota restrictions, and to the removal of discriminatory controls on dollar imports which some other countries still maintain. Secretary of the Treasury Anderson, in September of last year in a statement to the Annual Meeting of the International Monetary Fund, indicated the view of the United States that countries which no longer suffer from inconvertibility in their current account balance do no longer have any balance of payments justification for continued discriminatory restrictions under the Articles of that organization. Since that time many countries have reduced their barriers to our imports, and we are further pursuing our efforts to diminish such discrimination. Under Secretary of State Dillon, at a meeting of the GATT held in Tokyo last October, outlined the difficulties which we have recently encountered in our balance of payments, and urged the removal of discriminatory restrictions against our imports and just prior to that meeting the IMF had declared that most countries no longer had balance of payments justification for trade discrimination. At the general negotiating sessions for the reduction of tariffs which are to begin in September of this year under the auspices of the GATT, we intend to pursue our goal of expanded opportunities for our exports. New emphasis is being given to these measures as a recognition by us and, I may add, most of our friends abroad, of changed conditions.

Through the activities of the Export-Import Bank, we have for many years been engaged in an effort to promote our foreign trade by financial means. From time to time our efforts in this field have been reviewed. Recently, suggestions have been made that the facilities of the U. S. Government in this field, which up to the present time have been used largely to provide medium and long-term credits and guarantees, should be expanded to cover exports which are normally traded on the basis of short-term credits. A number of other exporting countries have provided such facilities for their exporters, and there is some evidence that our own exporters have on occasion lost business because more favorable credit terms were available from other countries. We are now exploring the need and usefulness of additional facilities for export credit guarantees and financing in the short-term field.

The remaining direction of our present efforts to ease the difficulties in our balance of payments is related to U. S. procurement in connection with our foreign aid program: Vance Brand will talk to you about this policy in greater detail.

Well, where does all of this leave you gentlemen and where does it affect the activities which you hope to develop as the result of your meetings here? Obviously you will be importers of merchandise when you have developed your foreign sources of supplies. That means you will contribute through your payments to the accumulation of short-term assets in the U. S. by the industrialized nations or you will increase the ability of the poorer nations to purchase goods and services in the U. S. Potentially you will have other points of contact with the balance of payments. For instance, if you establish your own subsidiaries abroad to supply you with component parts you will contribute to the outflow of U. S. investments in the form of funds, equipment or know-how. You see, you are a very interesting group to those in the government who are following balance of payments developments. In fact, you are one of the segments of our economic international life which we are and shall analyze rather carefully. In any case, whatever your direct effect on the balance of payments, yours is a problem of costs and efficiency. If you can improve these, you are doing a service to our economy and I wish you, therefore, all possible good luck in your endeavors.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE
Tuesday, February 23, 1960

A-772

Treasury Secretary Anderson has sent the following letter to the Honorable Prescott Bush, United States Senate:

February 19, 1960

My dear Senator:

This letter is in response to your request for additional information with respect to the question of Treasury issuance of long-term bonds subject to call some time in the future, a subject which I discussed in my testimony before the Joint Economic Committee on February 16. Recently a number of suggestions have been made that, inasmuch as interest rates are relatively high, the Treasury should not offer any considerable amount of intermediate- or longer-term bonds without retaining an option to call the securities in the event interest rates decline appreciably.

This point of view has considerable merit, and the Treasury would consider it unwise to issue large amounts of new long-term bonds under today's conditions. For one thing, we have no reason to believe that a market for a large amount of long-term bonds actually exists today. Consequently, large-scale issuance of long-term Treasury bonds might force interest rates to higher levels and also drain off a substantial portion of the savings that would otherwise flow into homebuilding, State and local government projects, and business expansion and modernization of plant and equipment.

It is noteworthy that the Treasury issued only $10 billion of bonds running 10 years or more to maturity during the period from the beginning of 1953 through the spring of 1959, when the 4-1/4 percent interest rate ceiling effectively halted the sale of new bonds. Thus the average amount issued in the 6-1/2-year period was about $1-1/2 billion a year. The Treasury would not expect, under current market conditions, to exceed by any great amount that volume of long-term bond issues, either in raising new cash or by refunding maturing securities. As I pointed out to the Committee, a large portion of the debt extension that we desire to achieve -- and which we believe is so highly important in our efforts to prevent a dangerous shortening in the maturity of the public debt -- would be obtained through "advance refunding," in which case the actual coupon rates of interest paid by the Treasury could be kept well within the 4-1/4 percent ceiling.

Moreover, it is especially significant that since 1952 most of the debt extension that has taken place has resulted from issuance of securities in the 5- to 10-year maturity range, of which $39 billion were issued. The case for a call feature in connection with these 5- to 10-year issues -- which will probably be used to a considerable extent in the future as a part of any debt-lengthening program -- is much less apparent than the case for optional call privileges with respect to securities running for more than 10 years.

The Treasury is seriously considering the desirability of incorporating optional call features in new long-term bond issues (over 10-year maturities), once the ceiling is removed. We would, however, strongly oppose any legislative action that would compel the use of callable bonds exclusively. There may well be many occasions when the issuance of callable bonds would not be in the public interest, inasmuch as use of the feature involves several disadvantages as well as advantages. In addition, we believe that maintenance of the desirable degree of flexibility in debt management requires that legislation restricting the types of issues that the Treasury can sell be held to a minimum. The Treasury now possesses full authority to issue callable bonds, when conditions are appropriate, and in fact most of the long-term bonds issued in the past have contained a call feature. Since the late 1920's, however, the call privilege on long-term issues has been limited to the last two to five years before maturity.

If the Treasury, once the interest rate ceiling is removed, decides to issue bonds callable at par, it must be recognized that the securities will have to bear a somewhat higher effective rate of interest than noncallable issues of similar maturity. The existence of a call feature tends to make securities less attractive to many long-term investors in comparison with fixed maturity issues. Most of the larger insurance companies, for example, prefer to invest in negotiated loans of definite maturity (private placements) rather than to buy callable corporate bonds (or, at least, bonds callable for refinancing). Thus long-term investors tend to buy callable securities only if they believe that the increased interest which the borrower pays for the call feature is sufficient to compensate them for the risk of loss of future earnings in the event the bonds are called before maturity. It is possible that even with the attractiveness of a higher interest rate many investors (particularly those such as pension funds and insurance companies, which try to obtain a guaranteed long-term rate of return to meet actuarial requirements), who would otherwise purchase long-term, fixed maturity Government bonds, would refrain entirely from buying callable issues unless the call period were confined to a relatively short span of time before final maturity.

An alternative technique would involve long-term bonds which are callable at a premium above par. Many business corporations -- particularly public utilities -- have been quite successful in selling this type of security, which is callable at a sliding scale of premiums, depending on when the call is made. Despite considerable dissatisfaction on the part of investors, a study made in 1958, covering the preceding 32 years, indicates that the added initial interest cost to borrowers on bonds subject to immediate or early call was relatively small in comparison with costs on bonds which were not callable for a number of years. This study has not been fully completed. Furthermore, it relates primarily to issuance of callable bonds in a period of low interest rates in the earlier years, and of rising interest rates through 1957. It does not reflect, therefore, the effect of the fall of rates in the 1958 recession in causing greater reluctance on the part of investors to purchase bonds callable at an early date.

We must also keep in mind, as I pointed out in my testimony before the Committee, that the Treasury, in its debt management role, is in a much different position from a public utility corporation attempting to schedule its debt maturities. The typical public utility relies very largely on long-term bonds to finance its fixed capital requirements. The number of issues outstanding for any one firm is usually not large, and the average length to maturity typically exceeds 10 years. Thus the public utility finds the call privilege highly desirable, for it avoids the necessity of having to refinance all -- or a sizable portion -- of its debt during a period of high interest rates.

The Treasury debt structure, on the other hand, involves an automatic "averaging" process. We now have eleven issues of bonds outstanding with more than 10 years to final maturity, and these issues are spaced from 1970 to 1995. That in itself provides for a broad spread for the $25 billion of Treasury bonds in this category. But this $25 billion amounts to only 13 percent of the Treasury marketable debt outstanding, and the average length to maturity of this marketable debt is only 4-1/4 years. If the artificial restriction on long-term Treasury financing is removed, and if a reasonable amount of long-term securities can be marketed in most years, the Treasury will receive the benefit of an average level of rates over time, without any large bunching of long-term financing during a period of high rates.

In conclusion, I would like to emphasize again that the Treasury has no intention, once the ceiling is removed, of issuing large amounts of long-term bonds for cash or in exchange for maturing issues, but intends to rely to a considerable extent on "advance refunding." Also, with the ceiling removed, the Treasury will be able, if conditions so warrant, to issue bonds callable either at par or at a premium above par. We shall continue to study the question of which type of callable bond would be most appropriate under different types of conditions, and any decision in this respect would, of course, depend primarily upon market circumstances at the time the offering is made.

Please do not hesitate to contact me if there is any other aspect of this subject that you would like to discuss.

Sincerely yours,

Robert B. Anderson

Secretary of the Treasury

The Honorable Prescott Bush
United States Senate
Washington 25, D. C.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE
TUESDAY, FEBRUARY 23, 1960

A-773

STATEMENT BY TREASURY SECRETARY ANDERSON

The Treasury will continue to press for enactment of the Administration's original recommendation for removal of the interest rate ceiling. This is the direct and the most effective solution to this problem of how to finance the debt in the least inflationary and most economical manner. But something must be done.

While continuing to urge for the outright removal of the ceiling, we do recognize that the bill as approved by the House Ways and Means Committee today will permit the Treasury, to a substantial extent, in the period immediately ahead to achieve the debt lengthening which is so highly important in the national interest.

In particular, the bill will permit refunding of outstanding Government securities in advance of final maturity, which we believe will be an efficient and economical technique to help avoid the constant shortening of the debt. The provision which permits the issuance of a limited amount of intermediate and long-term bonds for cash and in exchange for maturing securities, without the restriction of the ceiling, will enable us to sell a modest amount of bonds to true long-term investors such as pension funds.

Both of these actions would help re-enforce the determined efforts of this Administration to manage the debt more efficiently and properly, and thereby protect the purchasing power of the billions of dollars of savings owned by millions of Americans. We cannot be sure, however, that this proposal is a permanent solution to the problem.

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from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated December 3, 1959, ( 91 days remaining until maturity date on June 2, 1960 ) and noncompetitive tenders for $ 100,000 or less for the 182 -day bills 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 March 3, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 3, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, February 25, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 3, 1960, in the amount of $1,501,180,000, as follows:

91-day bills (to maturity date) to be issued March 3, 1960, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated December 3, 1959, and to mature June 2, 1960, originally issued in the amount of $400,513,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated March 3, 1960, and to mature September 1, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, February 29, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT

WASHINGTON, D.C.

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Thursday, February 25, 1960. A-774

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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.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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Let me reiterate that it is our considered opinion, which is widely shared by people knowledgeable in this field, that the removal of the 4-1/4% ceiling on new issues of Treasury bonds, by permitting the Treasury to make a rational distribution of the debt across the maturity spectrum would actually work for lower -- not higher -- interest rates than would otherwise be the case.

Today, the American people, acting through the Congress, must make a decision. They can choose artificially low interest rates created by soft money, and accept the inflation that results as the night follows the day. The other choice, which I trust will be adopted, is to permit flexible interest rates, and thus fight inflation. The latter course, by avoiding booms and busts, will contribute to healthy, sustainable, and rewarding growth.

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Therefore, when the ceiling forces the Treasury to crowd the short-term market and to pay as high as 5% to sell a 4- to 5-year note, as it did in October, this interest rate on a Government security becomes a "magic" rate. It becomes front-page news and captures the buying interest of thousands of individuals who usually never think of such investments. Many such buyers are relatively unsophisticated investors who do not understand the characteristics of marketable securities. In many instances, they would be better off to leave their funds with savings institutions or in savings bonds where their money is available on predetermined terms.

If the Treasury could have put out longer term issues, the interest rate would have been well under 5% and less appealing to individuals who put their money in savings institutions. Furthermore, anyone who knows the psychology of the savings depositor knows that his interest in purchasing a marketable bond is generally in reverse ratio to the maturity of the bond. He likes to think he can get his money reasonably soon if he should want it.

The important fact is that much of the money to buy these high-yield marketable securities is raised by drawing savings out of the banks and savings and loan associations. The net result is an injury to the mortgage market substantially greater than the actual withdrawal of savings, since those institutions hesitate to make future commitments to buy mortgages until they can further appraise this continuing drain.

If, on the other hand, the Treasury had not been obliged to do all of its financing within the 5-year straightjacket, some of the pressure could have been taken off the short-term market by doing a modest amount of cash borrowing and by refunding immediate maturities in the area beyond 5 years. This could have been done, I believe, at less than the rates we have had to pay on 1- to 5-year maturities, and the buyers largely would not have been individuals who drew money out of savings institutions at the expense of the mortgage market. Rather, an important part of the issue would more likely have been placed with public and private pension funds, foundations, and other types of long-term investors who are not major suppliers of funds to the mortgage market.

Furthermore, if the ceiling were removed, the Treasury would have tried to accomplish most of its debt extension both in the intermediate and long-term area through so-called <u>advance</u> refunding. The current flow of savings is not touched by advance refunding since an investor already holding a Government bond which through the lapse of time is shortening, merely exchanges it for a new one of longer maturity. As a result, the volume of longer-term issues for cash, or resulting from the refunding of <u>maturing</u> issues, would be relatively small. It is cash financing or refunding of maturing issues that causes major disturbance of the investment markets.

The home building industry is heavily dependent on the lifeblood of credit. I submit that there will be more mortgage credit available with the ceiling off than with it on. In addition, the cost of interim financing should be lower than otherwise. It seems rather obvious, therefore, that housing has much to gain from active support of the President's request for removal of the 4-1/4% interest rate ceiling.

as it is a criticism of monetary policies as administered by the Federal Reserve. Much of that feeling in Congress arises from lack of understanding of what is admittedly a complex subject.

No one today is an outright advocate of printing press money. But there are many who unwittingly advocate what is in essence much the same thing. These people believe that the Federal Reserve System should return to the discredited and highly inflationary practice of supporting the prices of Government bonds -- to keep interest rates down -- in the same way that was done during and immediately after World War II. That policy was properly characterized as "an engine of inflation" and was wisely discontinued following the Treasury-Federal Reserve Accord of 1951. Every dollar that the Federal Reserve adds to its portfolio is a high-powered dollar, providing the basis for a $6 growth in the money supply. Such action would spawn the very inflation that ultimately shoots interest rates through the ceiling. Fear of inflation discourages investors from buying bonds; it encourages borrowers to seek credit. Thus, the demand for money rises and the supply is diminished. Interest rates go up.

There is another group in the Congress who would deliberately increase the money supply to lower interest rates and then undertake to control the inflationary effect by the Government reestablishing selective controls on the use of credit -- a very difficult thing to administer, small in scope, and of doubtful efficacy in peacetime. Once embarked on controls, it is difficult to stop short of a fully controlled economy.

I understand that the home building industry is well represented here today. We are fully aware that some members of that industry have been opposed to removing the 4-1/4% ceiling because they have been under the impression that such removal would hurt the mortgage market. I believe that just the opposite is true. The home building industry has its own problems -- not the least of them arises from the wide swings in the volume of construction. The ability of the Treasury to do its financing in an orderly and prudent manner will, over a period of time, contribute to greater stability in the home building industry by insuring a steadier flow of savings into it.

Time after time during the last few months leaders in the field of home financing -- in mutual savings banks, commercial banks and savings and loan associations -- have come to us with conclusive evidence that more harm is being done to the mortgage market today by large scale Treasury security offerings in the 1- to 5-year area than by selling bonds of longer term.

Mortgage funds come primarily from savings and loan associations, from mutual savings banks, and from savings deposits in the commercial banks -- in fact, about two-thirds of the mortgage funds last year came from these three sources. As you well know, these institutions secure their money for the most part from individuals as they save from current income.

Individuals earn no more than 3% on their savings accounts in commercial banks, since that is the maximum permitted by Federal regulation. They earn about 3-1/2% on the average on their accounts in mutual savings banks. They earn a little more on savings and loan shares, but still probably less than 4% on the national average, even with the recent increases.

Secondly, commercial banks make up a much larger part of the market for short-term Treasury securities than they do for long-term issues. When commercial banks buy securities they create new demand deposits in the process, and this, as we know, adds to the money supply. An expanding money supply, during a period when pressures on economic resources are intensifying, adds momentum to inflationary forces.

The handling of our $290 billion debt in an inflationary manner is bad enough, but that's not all. Sole reliance on short-term borrowing is costly today, because interest rates on most securities of less than five years' maturity are higher than those on longer-term issues. Every borrower in the under five-year range is penalized.

It is only common sense that the confinement of all borrowing to one segment of the market tends to drive up interest rates in that part of the market. The fact is that the short-term market is already overcrowded, reflecting the impact of heavy deficit financing, record credit demands on the part of consumers, small businesses, and other short-term borrowers. This overcrowding means that somebody is going to get pinched, so long as the Treasury has to borrow exclusively on short-term issues.

In addition to being inflationary, costly, and unfair to private short-term borrowers such as consumers and small businesses, Treasury financing wholly in the short-term range can only add to future problems of debt management. Currently almost 80% of the marketable public debt matures within five years, and that total is growing. As more debt is piled into this area, future refundings of maturing issues will have to be undertaken more frequently and in greater amounts. As a result of doing all of our financing in the short area for the last year, the average term of the marketable debt is now reduced to 4 years and 3 months, the shortest in our history. The situation is comparable to one that might be faced by an individual with a mortgage on his home that matured every two or three years. He would be forced to refinance that mortgage, if he could, each time it came due, and under whatever conditions might be prevailing at that time. This certainly is not a desirable arrangement. However, that is the position the Treasury finds itself in.

It has been alleged by some that the removal of the 4-1/4% ceiling would raise interest rates. We do not believe that this would be the case. Actually, the inflationary aspects of debt management policy under the present ceiling could, as time goes on, raise increasing apprehension both here and abroad as to the future value of the dollar. Nothing contributes so strongly to forcing interest rates upward as fear of inflation. Those investors who want to put their money in a savings account or invest in fixed-dollar obligations -- rather than in stocks or real estate -- will demand a higher interest rate to compensate for their expectation of a shrinking purchasing power of the future repayments of principal and interest.

In effect, we are seeing a renewal of the old conflict between the advocates of soft money and pegged interest rates versus those who stand solidly for sound money and flexible interest rates. In fact, if one reads the debates in the Congress on this issue, it is strangely reminiscent of the Populist program of the 1890's. It is not so much a criticism of Treasury debt management policies

Now let me come to the question of managing our existing debt. From the point of view of the Treasury Department, the most important piece of business which Congress left unfinished upon adjournment last fall was granting to the Treasury the additional statutory authority necessary to manage our record Federal debt without adding to inflationary pressures.

In order effectively to do its job in handling the public debt, the President in June of last year asked Congress to remove the 4-1/4% interest rate ceiling on new issues of all Treasury bonds running more than 5 years to maturity. The Congress debated the matter but did not act, despite renewal of the President's request in August. On the 12th of January this year the President, for a third time, asked Congress for removal of the artificial interest ceiling, passed in 1918, which is restricting flexible debt management.

The House Ways and Means Committee reported favorably last Tuesday on a bill that does not completely eliminate the interest rate ceiling as the Administration has believed desirable. However, the bill would, at least in the period immediately ahead, permit the Treasury to accomplish the debt lengthening which is so essential in the national interest.

We cannot predict the course of the legislation through the House and Senate but we will continue to press vigorously for corrective legislation, preferably in the form originally submitted by the President.

I am going to restate some of the reasons why we think corrective legislation is so important.

Today the current pressure for funds by businesses, state and municipal governments, home builders, and other borrowers makes heavy demands on the volume of savings and, as we are all aware, has pushed up interest rates. The Treasury, because of the 4-1/4% ceiling, cannot sell new bonds of more than five years' maturity. It must, therefore, borrow wholly on short-term securities. Much of this borrowing is potentially inflationary; under current market conditions it is costly; it hurts consumers and small businesses; and it creates even greater debt management problems for the future.

Crowding all Treasury borrowing into the short-term market adds to inflationary pressures for two reasons. In the first place, a long-term bond is a true investment instrument, but a short-term Treasury security is only a few steps away from being money. It can be sold easily in the market, at or close to its maturity value, to obtain funds to spend for goods and services, or the holder can simply wait a few days or weeks until it matures, demand cash from the Treasury, and spend the proceeds.

From a purely technical standpoint, such sale or redemption does not increase the money supply as ordinarily defined but it has much the same effect. This is for the reason that the short-term securities are cashed by a holder who intends to put the proceeds to active use whereas the new buyer is using funds that otherwise would be idle.

No, the Government can't do the job alone, but nevertheless its efforts are the sine qua non. The battle against inflation will surely be lost if we fail to maintain financial responsibility in Federal Government activities. By financial responsibility I mean three things: a surplus in the Federal budget during periods of prosperous business activity; monetary discipline, so that excessive expansion in credit and the money supply is not allowed to tip the scales toward inflation; and debt management actions that support anti-inflationary budget and monetary policies.

As for the budget -- although it was said by many observers that it couldn't be done -- the President a year ago submitted to the Congress a balanced budget for the fiscal year 1960. He led such a vigorous fight for its adoption that the President could report in his recent State of the Union Message that the 1960 budget, in spite of the steel strike, is still in balance. Far more important, the President disclosed that the 1961 budget will not only be in balance, but indicates a surplus of $4.2 billion, the largest surplus of his Administration.

The case for a balanced budget was taken directly to the people of this country. I believe they are now coming to realize that the United States cannot continue indefinitely to live beyond its income and still be able to fight effectively the external challenges which we face on both military and economic fronts.

A balanced budget is an important and an understandable symbol of sound fiscal policy and of good government.

A balanced budget works for a growing economy. It inspires confidence. It works against inflation.

If we are to continue to carry for an indefinite time the heavy burdens on the military and civilian fronts which the cold war makes essential, we must have an economy which will grow, which will be dynamic. We need people who understand that there is no substitute for hard work, careful planning and true saving. We will grow as a country only if we produce more than we consume and use our surplus to provide new sources of production. With assurance that the value of their dollars will be protected, people will be willing to work harder, save more, and invest more.

Saving is not easy. It requires that people deliberately deny themselves present benefits for greater future benefits. The large saving effort that will be called for to meet the new capital requirements of this decade needs the assistance of an environment conducive to saving. This means that the threat of inflation must be removed.

One of the best ways to restrain inflation is for the Government to retire debt in a period of economic expansion. Retiring debt has a wholesome effect in holding down interest rates, or actually lowering them, as occurred during the decade of the 1920's.

If we are realistic we must recognize that we will not achieve debt reduction on any substantial scale unless we can find wider public support for programs calling for reducing, or at least holding the line on, expenditures at the Federal Government level.

since 1949, with the exception of 1957. Recently the deficits have risen to a high level -- about $3-1/2 billion in 1958 and approaching $4 billion in 1959. Large deficits cannot be sustained safely for a long period of time if we are to have a satisfactory pattern of our balance of payments and if the dollar is to function properly as the world's major reserve currency.

This heavy and continuing deficit in our international balance of payments situation is a relatively new phenomenon to us. For many decades until this last one, we have enjoyed a generally favorable balance of international payments. Then, largely as a result of wars, our export position became for a time extremely favorable -- the shortages of both goods and financial reserves abroad led us properly to help industrial nations rebuild their economies through the Marshall Plan and other measures. But now the "dollar gap" has long since been eliminated. Therefore, we must adjust our thinking to the changed conditions, under which the industrial countries abroad are accumulating surpluses in the form of gold and dollars.

Since World War II our nation has become the world's leading banker -- and like the typical banker we have lent long and borrowed short. Short-term claims on us held by foreign countries, largely deposits in banks and Treasury bills, have built up from under $7 billion at the end of the war to $17 billion at present. Dollar holdings, therefore, supplement gold as the basic international reserves for most of the currencies of the free world.

This means that foreigners now have an important stake in how we manage our affairs, just as depositors have a stake in how a bank is operated.

The Administration is taking appropriate steps to try to reduce the size of the payments deficits. It is our resolve that these steps continue to be consistent with our objective of promoting an expanding volume of world trade. But it should be readily apparent that a basic factor in our payments deficits is the cost-price structure in this country. Our ability to expand our exports will be impaired if this structure is not competitive. Here we again come back to the stability of the dollar.

And now let's look at the domestic aspects of the inflation problem.

In a complex economy, producing goods and services at a rate of a half-trillion dollars a year, the causes of inflation are bound to be complex; thus there is no simple cure to the inflation problem. Moreover, the task of controlling inflation does not start and stop on the banks of the Potomac; individuals in every walk of life, institutions of all kinds, labor, management -- each and every one of us must handle his economic and financial affairs on the basis of enlightened self-interest.

In the last analysis, public opinion will tip the scales. It seems to me that we see evidence of some progress in this respect. Surely there is a growing realization that wages cannot, on the average, increase faster than the over-all increase in productivity without prices following suit. Some of the public opinion polls indicate this lesson is beginning to sink in. Let us hope that we won't have to learn the lesson the hard way as so many other nations have had to do.

This, then, is our first major task -- national security. The second is so closely linked with it that one can hardly speak of the two as separable issues.

This second problem -- and the one with which I am mainly concerned today -- is the maintenance of financial policies, or, more particularly, fiscal, monetary, and debt management policies, that will contribute to preserving the purchasing power of our currency. Without such policies we cannot have sustainable economic growth on the domestic front nor make our proper contribution to the economic progress and stability of the free world.

As men experienced in the field of finance, you need not be told that the element of confidence is an essential ingredient in financial matters, and that is particularly so where the value of money is concerned.

The lessons of the 1950's seem to me to be very clear, and these lessons point to the primary challenge of the 1960's. Stated simply: Inflation is our primary economic danger as we turn the corner into the new decade. If we do not markedly strengthen our efforts to protect the value of the dollar, much that we have worked so hard for in our domestic economy, as well as internationally, may be lost to us. As President Eisenhower said in his State of the Union Message:

> "We must fight inflation as we would a fire that imperils our home. Only by so doing can we prevent it from destroying our salaries, savings, pensions, and insurance, and from gnawing away the very roots of a free, healthy economy and the nation's security."

I know of no industry that has a greater stake in the maintenance of confidence in the dollar than your own.

The United States is a rich country. In many instances, we can afford mistakes in policy -- even costly mistakes -- and still get back to shore. But loss of confidence in the value of the dollar is not one of these instances. It is a different type of problem entirely. The social and economic losses sustained through serious or prolonged erosion of the currency -- which is another term for serious or prolonged inflation -- are not easily regained. At best, the damage can be repaired only at the cost of a program of austerity. The hardships and inequities which result from inflation cannot be readily equalized; they deeply injure the moral fiber of the nation. Worst of all, if the example of many other nations means anything, we would be in danger of losing some of our economic freedoms in a drift toward socialism.

Let me take up the international aspect of this problem briefly and then turn to the domestic side. Whether we happen to like it or not, this nation finds itself a leader of the free world -- economically, financially, militarily.

The President also pointed out in his State of the Union Message that "Inflation's ravages do not end at the water's edge." He was referring to our international balance of payments position, which has been in deficit in each year

TREASURY DEPARTMENT
Washington

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HOLD FOR RELEASE ON DELIVERY

REMARKS BY JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY, AT THE MORTGAGE AND FINANCE CONFERENCE OF THE GROUP FIVE SAVINGS BANKS ASSOCIATION OF THE STATE OF NEW YORK, HOTEL ST. GEORGE, BROOKLYN, NEW YORK, FRIDAY, FEBRUARY 26, 1960, AT 1:00 P.M., EST

It is a privilege to speak to your organization, which is dedicated on the one hand to carry out a program of broadly based savings, with all the protection and advantages that affords the savers, and, on the other hand, to the utilization of those accumulated capital funds to finance the plants and equipment to provide jobs for our rapidly increasing population, and the new and better housing that is required.

During my service in the Treasury, it has been my privilege to have many contact and to work closely with many of the leaders in your industry. It has been a heartwarming experience. I have found them understanding and constructive in respect to Treasury problems. We share a common economic philosophy -- so much so that there is little that I can say to you that is new. Too often I am afraid we talk to those who do not need to be convinced.

Two major and basic problems are facing the people of this country today. They are not the only problems confronting us, but I submit that they overshadow all others in dimension at the present time. The solution of most other questions and the achievement of so many of our hopes and ambitions for the future depend on our finding the right answers to these two major problems.

The first is, of course, our national security. We are living in a period of great international tension. We can expect that the situation as we have known it since World War II will vary in intensity. But I believe we must recognize that the cold war, in one form or another, may be with us for a long time.

A correct foreign policy and an adequate defense to back it up is a massive and unbelievably complex job. It is an uncomfortable thought that a wrong course of action, a miscalculation or an error on the part of a single individual in Russia or our country can cause the almost instant destruction of much of what we know in the world. And unless we find some acceptable method of controlled disarmament we have to face the prospect that these atomic playthings may fall into the hands of other aggressive powers.

I would not minimize the dangers we face. On the other hand, it would not make sense to formulate our program of military defense by adding up all of the separate programs that sincere and dedicated military technicians believe necessary in each of their respective fields. A small group -- and finally one man -- has to strike a balance and make the tough decisions. I, for one, am happy the responsibility rests where it does.

A-775

TREASURY DEPARTMENT
Washington

HOLD FOR RELEASE ON DELIVERY

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A-775

This, then, is our first major task -- national security. The second is so closely linked with it that one can hardly speak of the two as separable issues.

This second problem -- and the one with which I am mainly concerned today -- is the maintenance of financial policies, or, more particularly, fiscal, monetary, and debt management policies, that will contribute to preserving the purchasing power of our currency. Without such policies we cannot have sustainable economic growth on the domestic front nor make our proper contribution to the economic progress and stability of the free world.

As men experienced in the field of finance, you need not be told that the element of confidence is an essential ingredient in financial matters, and that is particularly so where the value of money is concerned.

The lessons of the 1950's seem to me to be very clear, and these lessons point to the primary challenge of the 1960's. Stated simply: <u>Inflation</u> is our primary economic danger as we turn the corner into the new decade. If we do not markedly strengthen our efforts to protect the value of the dollar, much that we have worked so hard for in our domestic economy, as well as internationally, may be lost to us. As President Eisenhower said in his State of the Union Message:

> "We must fight inflation as we would a fire that imperils our home. Only by so doing can we prevent it from destroying our salaries, savings, pensions, and insurance, and from gnawing away the very roots of a free, healthy economy and the nation's security."

I know of no industry that has a greater stake in the maintenance of confidence in the dollar than your own.

The United States is a rich country. In many instances, we can afford mistakes in policy -- even costly mistakes -- and still get back to shore. But loss of confidence in the value of the dollar is not one of these instances. It is a different type of problem entirely. The social and economic losses sustained through serious or prolonged erosion of the currency -- which is another term for serious or prolonged inflation -- are not easily regained. At best, the damage can be repaired only at the cost of a program of austerity. The hardships and inequities which result from inflation cannot be readily equalized; they deeply injure the moral fiber of the nation. Worst of all, if the example of many other nations means anything, we would be in danger of losing some of our economic freedoms in a drift toward socialism.

Let me take up the international aspect of this problem briefly and then turn to the domestic side. Whether we happen to like it or not, this nation finds itself a leader of the free world -- economically, financially, militarily.

The President also pointed out in his State of the Union Message that "Inflation's ravages do not end at the water's edge." He was referring to our international balance of payments position, which has been in deficit in each year since 1949, with the exception of 1957. Recently the deficits have risen to a high level -- about $3-1/2 billion in 1958 and approaching $4 billion in 1959. Large deficits cannot be sustained safely for a long period of time if we are to have a satisfactory pattern of our balance of payments and if the dollar is to function properly as the world's major reserve currency.

This heavy and continuing deficit in our international balance of payments situation is a relatively new phenomenon to us. For many decades until this last one, we have enjoyed a generally favorable balance of international payments. Then, largely as a result of wars, our export position became for a time extremely favorable -- the shortages of both goods and financial reserves abroad led us properly to help industrial nations rebuild their economies through the Marshall Plan and other measures. But now the "dollar gap" has long since been eliminated. Therefore, we must adjust our thinking to the changed conditions, under which the industrial countries abroad are accumulating surpluses in the form of gold and dollars.

Since World War II our nation has become the world's leading banker -- and like the typical banker we have lent long and borrowed short. Short-term claims on us held by foreign countries, largely deposits in banks and Treasury bills, have built up from under $7 billion at the end of the war to $17 billion at present. Dollar holdings, therefore, supplement gold as the basic international reserves for most of the currencies of the free world.

This means that foreigners now have an important stake in how we manage our affairs, just as depositors have a stake in how a bank is operated.

The Administration is taking appropriate steps to try to reduce the size of the payments deficits. It is our resolve that these steps continue to be consistent with our objective of promoting an expanding volume of world trade. But it should be readily apparent that a basic factor in our payments deficits is the cost-price structure in this country. Our ability to expand our exports will be impaired if this structure is not competitive. Here we again come back to the stability of the dollar.

And now let's look at the domestic aspects of the inflation problem.

In a complex economy, producing goods and services at a rate of a half-trillion dollars a year, the causes of inflation are bound to be complex; thus there is no simple cure to the inflation problem. Moreover, the task of controlling inflation does not start and stop on the banks of the Potomac; individuals in every walk of life, institutions of all kinds, labor, management -- each and every one of us must handle his economic and financial affairs on the basis of enlightened self-interest.

In the last analysis, public opinion will tip the scales. It seems to me that we see evidence of some progress in this respect. Surely there is a growing realization that wages cannot, on the average, increase faster than the over-all increase in productivity without prices following suit. Some of the public opinion polls indicate this lesson is beginning to sink in. Let us hope that we won't have to learn the lesson the hard way as so many other nations have had to do.

No, the Government can't do the job alone, but nevertheless its efforts are the sine qua non. The battle against inflation will surely be lost if we fail to maintain financial responsibility in Federal Government activities. By financial responsibility I mean three things: a surplus in the Federal budget during periods of prosperous business activity; monetary discipline, so that excessive expansion in credit and the money supply is not allowed to tip the scales toward inflation; and debt management actions that support anti-inflationary budget and monetary policies.

As for the budget -- although it was said by many observers that it couldn't be done -- the President a year ago submitted to the Congress a balanced budget for the fiscal year 1960. He led such a vigorous fight for its adoption that the President could report in his recent State of the Union Message that the 1960 budget, in spite of the steel strike, is still in balance. Far more important, the President disclosed that the 1961 budget will not only be in balance, but indicates a surplus of $4.2 billion, the largest surplus of his Administration.

The case for a balanced budget was taken directly to the people of this country. I believe they are now coming to realize that the United States cannot continue indefinitely to live beyond its income and still be able to fight effectively the external challenges which we face on both military and economic fronts.

A balanced budget is an important and an understandable symbol of sound fiscal policy and of good government.

A balanced budget works for a growing economy. It inspires confidence. It works against inflation.

If we are to continue to carry for an indefinite time the heavy burdens on the military and civilian fronts which the cold war makes essential, we must have an economy which will grow, which will be dynamic. We need people who understand that there is no substitute for hard work, careful planning and true saving. We will grow as a country only if we produce more than we consume and use our surplus to provide new sources of production. With assurance that the value of their dollars will be protected, people will be willing to work harder, save more, and invest more.

Saving is not easy. It requires that people deliberately deny themselves present benefits for greater future benefits. The large saving effort that will be called for to meet the new capital requirements of this decade needs the assistance of an environment conducive to saving. This means that the threat of inflation must be removed.

One of the best ways to restrain inflation is for the Government to retire debt in a period of economic expansion. Retiring debt has a wholesome effect in holding down interest rates, or actually lowering them, as occurred during the decade of the 1920's.

If we are realistic we must recognize that we will not achieve debt reduction on any substantial scale unless we can find wider public support for programs calling for reducing, or at least holding the line on, expenditures at the Federal Government level.

Now let me come to the question of managing our existing debt. From the point of view of the Treasury Department, the most important piece of business which Congress left unfinished upon adjournment last fall was granting to the Treasury the additional statutory authority necessary to manage our record Federal debt without adding to inflationary pressures.

In order effectively to do its job in handling the public debt, the President in June of last year asked Congress to remove the 4-1/4% interest rate ceiling on new issues of all Treasury bonds running more than 5 years to maturity. The Congress debated the matter but did not act, despite renewal of the President's request in August. On the 12th of January this year the President, for a third time, asked Congress for removal of the artificial interest ceiling, passed in 1918, which is restricting flexible debt management.

The House Ways and Means Committee reported favorably last Tuesday on a bill that does not completely eliminate the interest rate ceiling as the Administration has believed desirable. However, the bill would, at least in the period immediately ahead, permit the Treasury to accomplish the debt lengthening which is so essential in the national interest.

We cannot predict the course of the legislation through the House and Senate but we will continue to press vigorously for corrective legislation, preferably in the form originally submitted by the President.

I am going to restate some of the reasons why we think corrective legislation is so important.

Today the current pressure for funds by businesses, state and municipal governments, home builders, and other borrowers makes heavy demands on the volume of savings and, as we are all aware, has pushed up interest rates. The Treasury, because of the 4-1/4% ceiling, cannot sell new bonds of more than five years' maturity. It must, therefore, borrow wholly on short-term securities. Much of this borrowing is potentially inflationary; under current market conditions it is costly; it hurts consumers and small businesses; and it creates even greater debt management problems for the future.

Crowding all Treasury borrowing into the short-term market adds to inflationary pressures for two reasons. In the first place, a long-term bond is a true investment instrument, but a short-term Treasury security is only a few steps away from being money. It can be sold easily in the market, at or close to its maturity value, to obtain funds to spend for goods and services, or the holder can simply wait a few days or weeks until it matures, demand cash from the Treasury, and spend the proceeds.

From a purely technical standpoint, such sale or redemption does not increase the money supply as ordinarily defined but it has much the same effect. This is for the reason that the short-term securities are cashed by a holder who intends to put the proceeds to active use whereas the new buyer is using funds that otherwise would be idle.

Secondly, commercial banks make up a much larger part of the market for short-term Treasury securities than they do for long-term issues. When commercial banks buy securities they create new demand deposits in the process, and this, as we know, adds to the money supply. An expanding money supply, during a period when pressures on economic resources are intensifying, adds momentum to inflationary forces.

The handling of our $290 billion debt in an inflationary manner is bad enough, but that's not all. Sole reliance on short-term borrowing is costly today, because interest rates on most securities of less than five years' maturity are higher than those on longer-term issues. Every borrower in the under five-year range is penalized.

It is only common sense that the confinement of all borrowing to one segment of the market tends to drive up interest rates in that part of the market. The fact is that the short-term market is already overcrowded, reflecting the impact of heavy deficit financing, record credit demands on the part of consumers, small businesses, and other short-term borrowers. This overcrowding means that somebody is going to get pinched, so long as the Treasury has to borrow exclusively on short-term issues.

In addition to being inflationary, costly, and unfair to private short-term borrowers such as consumers and small businesses, Treasury financing wholly in the short-term range can only add to future problems of debt management. Currently almost 80% of the marketable public debt matures within five years, and that total is growing. As more debt is piled into this area, future refundings of maturing issues will have to be undertaken more frequently and in greater amounts. As a result of doing all of our financing in the short area for the last year, the average term of the marketable debt is now reduced to 4 years and 3 months, the shortest in our history. The situation is comparable to one that might be faced by an individual with a mortgage on his home that matured every two or three years. He would be forced to refinance that mortgage, if he could, each time it came due, and under whatever conditions might be prevailing at that time. This certainly is not a desirable arrangement. However, that is the position the Treasury finds itself in.

It has been alleged by some that the removal of the 4-1/4% ceiling would raise interest rates. We do not believe that this would be the case. Actually, the inflationary aspects of debt management policy under the present ceiling could, as time goes on, raise increasing apprehension both here and abroad as to the future value of the dollar. Nothing contributes so strongly to forcing interest rates upward as fear of inflation. Those investors who want to put their money in a savings account or invest in fixed-dollar obligations -- rather than in stocks or real estate -- will demand a higher interest rate to compensate for their expectation of a shrinking purchasing power of the future repayments of principal and interest.

In effect, we are seeing a renewal of the old conflict between the advocates of soft money and pegged interest rates versus those who stand solidly for sound money and flexible interest rates. In fact, if one reads the debates in the Congress on this issue, it is strangely reminiscent of the Populist program of the 1890's. It is not so much a criticism of Treasury debt management policies as it is a criticism of monetary policies as administered by the Federal Reserve. Much of that feeling in Congress arises from lack of understanding of what is admittedly a complex subject.

No one today is an outright advocate of printing press money. But there are many who unwittingly advocate what is in essence much the same thing. These people believe that the Federal Reserve System should return to the discredited and highly inflationary practice of supporting the prices of Government bonds -- to keep interest rates down -- in the same way that was done during and immediately after World War II. That policy was properly characterized as "an engine of inflation" and was wisely discontinued following the Treasury-Federal Reserve Accord of 1951. Every dollar that the Federal Reserve adds to its portfolio is a high-powered dollar, providing the basis for a $6 growth in the money supply. Such action would spawn the very inflation that ultimately shoots interest rates through the ceiling. Fear of inflation discourages investors from buying bonds; it encourages borrowers to seek credit. Thus, the demand for money rises and the supply is diminished. Interest rates go up.

There is another group in the Congress who would deliberately increase the money supply to lower interest rates and then undertake to control the inflationary effect by the Government reestablishing selective controls on the use of credit -- a very difficult thing to administer, small in scope, and of doubtful efficacy in peacetime. Once embarked on controls, it is difficult to stop short of a fully controlled economy.

I understand that the home building industry is well represented here today. We are fully aware that some members of that industry have been opposed to removing the 4-1/4% ceiling because they have been under the impression that such removal would hurt the mortgage market. I believe that just the opposite is true. The home building industry has its own problems -- not the least of them arises from the wide swings in the volume of construction. The ability of the Treasury to do its financing in an orderly and prudent manner will, over a period of time, contribute to greater stability in the home building industry by insuring a steadier flow of savings into it.

Time after time during the last few months leaders in the field of home financing -- in mutual savings banks, commercial banks and savings and loan associations -- have come to us with conclusive evidence that more harm is being done to the mortgage market today by large scale Treasury security offerings in the 1- to 5-year area than by selling bonds of longer term.

Mortgage funds come primarily from savings and loan associations, from mutual savings banks, and from savings deposits in the commercial banks -- in fact, about two-thirds of the mortgage funds last year came from these three sources. As you well know, these institutions secure their money for the most part from individuals as they save from current income.

Individuals earn no more than 3% on their savings accounts in commercial banks, since that is the maximum permitted by Federal regulation. They earn about 3-1/2% on the average on their accounts in mutual savings banks. They earn a little more on savings and loan shares, but still probably less than 4% on the national average, even with the recent increases.

Therefore, when the ceiling forces the Treasury to crowd the short-term market and to pay as high as 5% to sell a 4- to 5-year note, as it did in October, this interest rate on a Government security becomes a "magic" rate. It becomes front-page news and captures the buying interest of thousands of individuals who usually never think of such investments. Many such buyers are relatively unsophisticated investors who do not understand the characteristics of marketable securities. In many instances, they would be better off to leave their funds with savings institutions or in savings bonds where their money is available on predetermined terms.

If the Treasury could have put out longer term issues, the interest rate would have been well under 5% and less appealing to individuals who put their money in savings institutions. Furthermore, anyone who knows the psychology of the savings depositor knows that his interest in purchasing a marketable bond is generally in reverse ratio to the maturity of the bond. He likes to think he can get his money reasonably soon if he should want it.

The important fact is that much of the money to buy these high-yield marketable securities is raised by drawing savings out of the banks and savings and loan associations. The net result is an injury to the mortgage market substantially greater than the actual withdrawal of savings, since those institutions hesitate to make future commitments to buy mortgages until they can further appraise this continuing drain.

If, on the other hand, the Treasury had not been obliged to do all of its financing within the 5-year straightjacket, some of the pressure could have been taken off the short-term market by doing a modest amount of cash borrowing and by refunding immediate maturities in the area beyond 5 years. This could have been done, I believe, at less than the rates we have had to pay on 1- to 5-year maturities, and the buyers largely would not have been individuals who drew money out of savings institutions at the expense of the mortgage market. Rather, an important part of the issue would more likely have been placed with public and private pension funds, foundations, and other types of long-term investors who are not major suppliers of funds to the mortgage market.

Furthermore, if the ceiling were removed, the Treasury would have tried to accomplish most of its debt extension both in the intermediate and long-term area through so-called <u>advance</u> refunding. The current flow of savings is not touched by advance refunding since an investor already holding a Government bond which through the lapse of time is shortening, merely exchanges it for a new one of longer maturity. As a result, the volume of longer-term issues for cash, or resulting from the refunding of <u>maturing</u> issues, would be relatively small. It is cash financing or refunding of maturing issues that causes major disturbance of the investment markets.

The home building industry is heavily dependent on the lifeblood of credit. I submit that there will be more mortgage credit available with the ceiling off than with it on. In addition, the cost of interim financing should be lower than otherwise. It seems rather obvious, therefore, that housing has much to gain from active support of the President's request for removal of the 4-1/4% interest rate ceiling.

Let me reiterate that it is our considered opinion, which is widely shared by people knowledgeable in this field, that the removal of the 4-1/4% ceiling on new issues of Treasury bonds, by permitting the Treasury to make a rational distribution of the debt across the maturity spectrum would actually work for lower -- not higher -- interest rates than would otherwise be the case.

Today, the American people, acting through the Congress, must make a decision. They can choose artificially low interest rates created by soft money, and accept the inflation that results as the night follows the day. The other choice, which I trust will be adopted, is to permit flexible interest rates, and thus fight inflation. The latter course, by avoiding booms and busts, will contribute to healthy, sustainable, and rewarding growth.

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RELEASE A. M. NEWSPAPERS, Tuesday, March 1, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 3, 1959, and the other series to be dated March 3, 1960, which were offered on February 25, were opened at the Federal Reserve Banks on February 29. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $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 June 2, 1960 | | 182-day Treasury bills maturing September 1, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 98.926 a/ | 4.249% | 97.757 | 4.437% |
| Low | 98.916 | 4.288% | 97.740 | 4.470% |
| Average | 98.919 | 4.278% 1/ | 97.746 | 4.458% 1/ |

a/ Excepting five tenders totaling $1,327,000
76 percent of the amount of 91-day bills bid for at the low price was accepted
43 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 20,911,000 | $ 10,561,000 | $ 6,265,000 | $ 6,265,000 |
| New York | 1,560,721,000 | 761,222,000 | 575,639,000 | 260,288,000 |
| Philadelphia | 24,701,000 | 9,701,000 | 7,386,000 | 1,886,000 |
| Cleveland | 34,443,000 | 29,023,000 | 41,535,000 | 37,658,000 |
| Richmond | 13,907,000 | 13,907,000 | 1,697,000 | 1,697,000 |
| Atlanta | 33,230,000 | 27,090,000 | 5,540,000 | 4,202,000 |
| Chicago | 251,051,000 | 138,245,000 | 85,310,000 | 51,311,000 |
| St. Louis | 21,661,000 | 20,161,000 | 5,387,000 | 5,387,000 |
| Minneapolis | 10,721,000 | 8,523,000 | 5,153,000 | 2,653,000 |
| Kansas City | 32,391,000 | 20,671,000 | 13,856,000 | 7,578,000 |
| Dallas | 18,683,000 | 18,683,000 | 3,985,000 | 3,985,000 |
| San Francisco | 65,325,000 | 42,983,000 | 34,932,000 | 17,174,000 |
| TOTALS | $2,087,745,000 | $1,100,770,000 b/ | $786,685,000 | $400,084,000 c/ |

b/ Includes $220,414,000 noncompetitive tenders accepted at the average price of 98.919
c/ Includes $53,218,000 noncompetitive tenders accepted at the average price of 97.746
1/ Average rate on a coupon issue equivalent yield basis is 4.38% for the 91-day bills and 4.62% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

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A-776

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will encourage a fairer and simpler administration of the existing law, reduce controversy and abuse, and thereby encourage the growth of our industrial resources.

The staff of the Treasury will be available to work cooperatively with the staff of your Committee in furnishing whatever information and technical assistance the Committee may require in exploring all aspects of this important piece of legislation.

The restriction of capital gain treatment would check some existing sources of revenue loss and prevent possible permanent revenue losses in the depreciation area. The resulting simplification of administration should result in economies and better utilization of the Internal Revenue Service staff in the application of the tax laws. The resolution of differences on a basis more favorable to the taxpayer may involve some decrease in current revenue collections. The precise amount of this effect is difficult to estimate.

In conclusion, I would like to emphasize the need for the proposed legislation and the important benefits which it may produce within the existing general system of depreciation. Within the present framework we believe that the proposed legislation

As previously stated it would work against unfair tax advantage by those who depreciate property over-rapidly. Before we undertake any long-range consideration of getting more flexibility into the depreciation schedules, either administratively or by statute, this step should be taken first. The proposal is in keeping with suggestions received from a number of witnesses in the course of the panel discussions on tax revision which your Committee conducted last November and December.

The recommended legislation would be an important step in the direction of both fairness and simplification. It would eliminate friction between the Service and taxpayers in areas where reasonable men may differ and where the resolution of differences would be possible except for the extraneous factor of capital gain treatment.

taxpayers since they have unfortunate effects on the approach to the determination of service lives, depreciation rates, and estimated salvage values for taxpayers generally.

Treasury regulations based on the long-standing principle that an asset may not be depreciated below salvage value have had some success in checking distortions of the depreciation allowance in specialized areas chiefly involving property with very short service lives. But such regulations, which have been challenged in the courts, do not adequately resolve the more general issues involving the relationship between depreciation and resale of equipment at capital gain rates.

The suggested change in the treatment of gain on the sale of depreciable property would facilitate sound administration of the present depreciation rules.

tax rates and the reduced rates on capital gains with respect to the same item of income. Consequently, so long as capital gain treatment applies to the entire profit on resale of depreciable equipment, the administrators of our tax laws are required to be meticulous if they are to be faithful to the clear intent of the statute in providing a reasonable allowance for capital recovery.

The practice of charging off an item of equipment over a relatively short period of time, and at the end of the charge-off period disposing of the item at a relatively substantial gain, has grown up in many sections of industry. Some taxpayers, ignoring salvage value and claiming to rely on section 1231 of the Code, have reported this gain as a long-term capital gain. The problems created by this practice are serious. They transcend the artificial tax savings sought by some estimate of service life of equipment, including the obsolescence factor which injects such a high degree of uncertainty into the determination of useful life.

In attempting to estimate the average life of a piece of equipment, it is possible for experts in the field to make reasonable estimates although there is inevitably a substantial margin of error. We frequently hear the contention that meticulousness on the part of the revenue agents on the question of service life is misplaced, since depreciation after all is merely a matter of timing allowances. It is not true that the rate of depreciation is merely a matter of timing if an overdepreciated property may be sold subject to capital gain rates so as to afford the taxpayer an unintended advantage by juxtaposing ordinary principal findings was the diversity in depreciation practices, rates, and attitudes among these corporations. Outside certain special situations, the pretest survey showed that the great bulk of all new property installations by these taxpayers since 1954 was being depreciated under the new liberalized methods. Comparison of the service lives and depreciation rates used by the large companies with Bulletin "F" disclosed some service lives longer and a number of others substantially shorter than Bulletin "F" standards.

Again, I wish to re-emphasize that unrestricted capital gain treatment of the profit on the sale of depreciable assets is a troublesome barrier to sound administration of depreciation allowances. Many of the problems and controversies in the application of the depreciation provisions have centered around the essential to have a sound factual basis in order to improve the administration of depreciation or to change the statutory provisions in this area as urged by many business groups.

A number of business and professional organizations were consulted in the planning and developing of the survey. The great majority of these organizations indicated their support for such a study. We believe that the information and the more up-to-date understandin which we hope to obtain through the survey will furnish guidance in case of further administrative or legislative change.

Certain tentative conclusions may be drawn from the limited and fragmentary data already obtained from the pretest survey covering 26 companies. One of the undertaken a survey to obtain additional general statistical information on current practices and present opinions on depreciation. This survey is being conducted in cooperation with the Small Business Administration to insure coverage of both large and small firms. In connection with this survey, a questionnaire is being circulated among some 6,000 businesses which provide a cross section of American industry with respect to depreciation problems and practices.

In our letter of transmittal to those covered by this survey, we note the great importance of the treatment of depreciation for business and for the expansion of job opportunities and of the economy generally. We are confident that the businesses included in this survey will recognize that it is lives would result in many reductions apart from the obsolescence factor. On the other hand, many taxpayers have, on the basis of their own experience and of evidence submitted to revenue agents, satisfactorily established for themselves shorter lives than a revised Bulletin "F" might suggest. Under the circumstances, a reissuance of a revised bulletin might lead to misunderstanding, overemphasis on suggested schedules, and even more prolonged disputes whether the Bulletin "F" life, some prospective estimated life, or other measure should control the depreciation period in any particular situation.

Mindful of the critical importance of the depreciation provisons to business and investors at this time and of the opportunities for constructive reform in this vital area, the Treasury, after completing and analyzing the results of a "pretest" survey, has technological improvements and rapid economic changes have magnified the importance of obsolescence in determining depreciation rates. In Revenue Ruling 91, revenue agents were instructed in determining depreciation rates to consider carefully evidence presented by taxpayers with respect to obsolescence.

As part of our continuing review of obsolescence and service life questions, careful consideration has been given to possible revision of Bulletin "F". The latest edition of this bulletin, which outlines suggested service lives for the guidance of taxpayers, appeared in 1942. We have tentatively concluded that the reissuance of Bulletin "F" would not serve a useful purpose at this time. On a straight engineering basis and in terms of past historical experience, which excludes prospective technological developments, it seems erroneous to assume that a restudy of average

An additional first-year depreciation allowance of 20 percent on the first $10,000 of expenditures for new or used equipment was provided by the Small Business Tax Revision Act of 1958. Designed to be of particular assistance to small business, the first-year allowance is equally available to all business concerns and farmers, subject to the prescribed dollar limitation.

In the field of administrative policies, the Treasury has continued its efforts towards a realistic application of the statute. Since the issuance of Revenue Rulings 90 and 91 in 1953, it has been the policy of the Internal Revenue Service not to disturb depreciation deductions unless there is a clear and convincing basis for change. It was specifically recognized that in many of our industries today depreciation reforms introduced under the Internal Revenue Code of 1954. The double-declining balance and the sum of the years-digits methods provided by the 1954 legislation concentrated deductions in the early years of service life and resulted in a timing of allowances more in accord with the actual pattern of loss of economic usefulness. As compared with the older, more rigid straight-line approach, the new liberalized methods permit the tax-free recovery of about half the cost of an asset during one-third of the service life and about two-thirds of the cost over the first half of the life. These more liberal depreciation methods have made a significant contribution in encouraging modernization and expansion of productive capacity, with resulting economic growth, increased production, and a stronger economy.

depreciable personal property as ordinary income to the extent of the depreciation deduction previously taken, has a precedent in the special rule under section 1238, relating to gain from the sale of property which has been subject to the accelerated amortization deduction for emergency facilities. Both under present law and under the previous accelerated amortization program in World War II, the portion of the gain on sale of emergency facilities, representing the excess of accelerated amortization over normal depreciation, has been taxed as ordinary gain. The necessity of such a rule to prevent obvious abuse has generally been recognized.

At this point I believe a general review of recent developments in the field of depreciation might be helpful. Substantial progress was made in the total of $488 depreciation. The remaining tax basis of the property is therefore $512. If the property were sold for $700, the entire gain of $188 would be taxable as ordinary income under the proposal. However, if the property were sold for $1,200, or a net gain of $688, $488 of the gain would be treated as ordinary income. The remaining $200 or the portion of the gain in excess of the depreciation previously taken would be treated the same as under present law. That is, the $200 gain in excess of depreciation previously taken would be aggregated with gains and losses from similar transactions and if the result was a net gain it would be taxed as a capital gain. If the over-all result was a net loss it would be deducted as an ordinary loss.

The proposed rule treating gain on sale of

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The proposed amendment would not indiscriminately reverse the existing rule that net gains from sales of depreciable property are treated as capital gain. It would not affect intangibles, such as patents, copyrights, or trademarks. Nor would it apply to a real estate. Moreover, it would treat as ordinary gain only that portion of the gain on machinery and equipment which reflects depreciation previously taken. Let me illustrate with a few examples the way in which the proposal would operate. Assume that an item of property costing $1,000 and having an estimated service life of 10 years is depreciated under the double-declining balance method for three years and then resold. The annual depreciation allowances on such property would be $200, $160, and $128 in the three years, respectively, or a cumulative taxpayers in the event of loss but was disadvantageous in the event of gain. However, during the depression years of the 1930's, sales of depreciable property at a gain were relatively infrequent.

With the advent of the World War II period, sales involving gain became increasingly frequent. Sales of used machinery, ships, and other business properties as a result of wartime demands often resulted in substantial gains. At the same time, the increase in involuntary conversions during the war, chiefly shipping losses and condemnation of property for military purposes, presented the problem of the tax treatment of involuntary conversions resulting in taxable gain where the proceeds were not reinvested. The enactment of section 117 (j), now section 1231, was in large part a wartime relief measure.

salvage value. In short, if enacted the proposed legislation, by eliminating the opportunity which now exists of converting ordinary income into capital gains, would contribute to the sound administration of the depreciation laws."

The present rule, which permits net gains from sale of depreciable personal property to be considered as capital gain while net losses are deductible as ordinary losses, was adopted in 1942. Prior to 1942, the depreciable property used in a trade or business had been excluded from the definition of a capital asset, so that both gains and losses from the disposition of such property were treated as ordinary gain or loss items. Considered alone, this provision was advantageous to machinery or other depreciable property may reasonably be expected to be useful to the taxpayer in his trade or business. The necessity of establishing a salvage value for an item of personal property also causes innumerable problems for industry and the Internal Revenue Service.

"The proposed statutory change which would require that gains from sale of depreciable personal property be treated as ordinary income, to the extent of depreciation previously claimed, would make it possible for agents of the Internal Revenue Service to accept more readily taxpayer judgments and taxpayer practices with respect to depreciation rates and though part or all of the gain may be attributable to depreciation allowances which have been taken as ordinary deductions. This has hampered the sound administration of the depreciation laws because through the medium of the depreciation deduction ordinary income may be converted into capital gain. Accordingly, agents of the Internal Revenue Service have been zealous in insisting upon full proof that depreciation rates and salvage values claimed by a taxpayer can be substantiated by expert opinion or actual experience.

"Informed opinion often differs as to the period of time over which an item of dispute and disagreement between revenue agents and taxpayers.

From the standpoint of economic growth it is important that depreciation practices do not place unnecessary impediments in the way of capital investment, replacement, or modernization. We believe that this legislative recommendation is an important one for the fairness of the tax system and for effective administration.

As stated by Secretary Anderson in his recent letters to the Vice President and the Speaker of the House:

"Under existing law, gain realized by a taxpayer upon the sale of depreciable personal property used in business is to taxable as long-term capital gain even ordinary income to the extent of the depreciation deduction previously taken on the property. On February 12, the Secretary of the Treasury sent identical letters to the Vice President and the Speaker of the House on this subject, enclosing a draft of proposed legislation to carry out the President's recommendation. This proposal has since been embodied in the two similar bills introduced, respectively, by the Chairman and by Congressman Mason, which are now before your Committee.

This proposal would guard against unfair tax advantage by those who depreciate property over-rapidly. It would be of major assistance in the sound administration of the depreciation provisions of the Code. It would eliminate a vexing source of

TREASURY DEPARTMENT
Washington

Statement by Fred C. Scribner, Jr., Under Secretary of the Treasury, before the Ways and Means Committee of the House of Representatives, on the tax treatment of gain from the sale of depreciable property, March 2, 1960

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I appreciate this opportunity to appear before your Committee to present the Treasury's views on H. R. 10491 and H. R. 10492, "To provide for the treatment of gain from the sale or exchange of tangible personal property used in the trade or business."

In his recent Budget Message, submitted to the Congress on January 18, the President recommended that consideration be given to an amendment to the Internal Revenue Code which would treat the gain from the sale of depreciable personal property as

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TREASURY DEPARTMENT
Washington



STATEMENT BY FRED C. SCRIBNER, JR., UNDER SECRETARY OF THE TREASURY, BEFORE THE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES, ON THE TAX TREATMENT OF GAIN FROM THE SALE OF DEPRECIABLE PROPERTY, WEDNESDAY, MARCH 2, 1960, 10:00 A.M., EST.

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gain may be attributable to depreciation allowances which have been taken as ordinary deductions. This has hampered the sound administration of the depreciation laws because through the medium of the depreciation deduction ordinary income may be converted into capital gain. Accordingly, agents of the Internal Revenue Service have been zealous in insisting upon full proof that depreciation rates and salvage values claimed by a taxpayer can be substantiated by expert opinion or actual experience.

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The present rule, which permits net gains from sale of depreciable personal property to be considered as capital gain while net losses are deductible as ordinary losses, was adopted in 1942. Prior to 1942, the depreciable property used in a trade or business had been excluded from the definition of a capital asset, so that both gains and losses from the disposition of such property were treated as ordinary gain or loss items. Considered alone, this provision was advantageous to taxpayers in the event of loss but was disadvantageous in the event of gain. However, during the depression years of the 1930's, sales of depreciable property at a gain were relatively infrequent.

With the advent of the World War II period, sales involving gain became increasingly frequent. Sales of used machinery, ships, and other business properties as a result of wartime demands often resulted in substantial gains. At the same time, the increase in involuntary conversions during the war, chiefly shipping losses and condemnation of property for military purposes, presented the problem of the tax treatment of involuntary conversions resulting in taxable gain where the proceeds were not reinvested. The enactment of section 117 (j), now section 1231, was in large part a wartime relief measure.

The proposed amendment would not indiscriminately reverse the existing rule that net gains from sales of depreciable property are treated as capital gain. It would not affect intangibles, such as patents, copyrights, or trademarks. Nor would it apply to real estate. Moreover, it would treat as ordinary gain only that portion of the gain on machinery and equipment which reflects depreciation previously taken. Let me illustrate with a few examples the way in which the proposal would operate. Assume that an item of property costing $1,000 and having an estimated service life of 10 years is depreciated under the double-declining balance method for three years and then resold. The annual depreciation allowances on such property would be $200, $160, and $128 in the three years, respectively, or a cumulative total of $488 depreciation. The remaining tax basis of the property is therefore $512. If the property were sold for $700, the entire gain of $188 would be taxable as ordinary income under the proposal. However, if the property were sold for $1,200, or a net gain of $688, $488 of the gain would be treated as ordinary income. The remaining $200 or the portion of the gain in excess of the depreciation previously taken would be treated the same as under present law. That is, the $200 gain in excess of depreciation previously taken would be aggregated with gains and losses from similar transactions and if the result was a net gain it would be taxed as a capital gain. If the over-all result was a net loss it would be deducted as an ordinary loss.

The proposed rule treating gain on sale of depreciable personal property as ordinary income to the extent of the depreciation deduction previously taken, has a precedent in the special rule under section 1238, relating to gain from the sale of property which has been subject to the accelerated amortization deduction for emergency facilities. Both under present law and under the previous accelerated amortization program in World War II, the portion of the gain on sale of emergency facilities, representing the excess of accelerated amortization over normal depreciation, has been taxed as ordinary gain. The necessity of such a rule to prevent obvious abuse has generally been recognized.

At this point I believe a general review of recent developments in the field of depreciation might be helpful. Substantial progress was made in the depreciation reforms introduced under the Internal Revenue Code of 1954. The double-declining balance and the sum of the years-digits methods provided by the 1954 legislation concentrated deductions in the early years of service life and resulted in a timing of allowances more in accord with the actual pattern of loss of economic usefulness. As compared with the older, more rigid straight-line approach, the new liberalized methods permit the tax-free recovery of about half the cost of an asset during one-third of the service life and about two-thirds of the cost over the first half of the life. These more liberal depreciation methods have made a significant contribution in encouraging modernization and expansion of productive capacity, with resulting economic growth, increased production, and a stronger economy.

An additional first-year depreciation allowance of 20 percent on the first $10,000 of expenditures for new or used equipment was provided by the Small Business Tax Revision Act of 1958. Designed to be of particular assistance to small business, the first-year allowance is equally available to all business concerns and farmers, subject to the prescribed dollar limitation.

In the field of administrative policies, the Treasury has continued its efforts towards a realistic application of the statute. Since the issuance of Revenue Rulings 90 and 91 in 1953, it has been the policy of the Internal Revenue Service not to disturb depreciation deductions unless there is a clear and convincing basis for change. It was specifically recognized that in many of our industries today technological improvements and rapid economic changes have magnified the importance of obsolescence in determining depreciation rates. In Revenue Ruling 91, revenue agents were instructed in determining depreciation rates to consider carefully evidence presented by taxpayers with respect to obsolescence.

As part of our continuing review of obsolescence and service life questions, careful consideration has been given to possible revision of Bulletin "F". The latest edition of this bulletin, which outlines suggested service lives for the guidance of taxpayers, appeared in 1942. We have tentatively concluded that the reissuance of Bulletin "F" would not serve a useful purpose at this time. On a straight engineering basis and in terms of past historical experience, which excludes prospective technological developments, it seems erroneous to assume that a restudy of average lives would result in many reductions apart from the obsolescence factor. On the other hand, many taxpayers have, on the basis of their own experience and of evidence submitted to revenue agents, satisfactorily established for themselves shorter lives than a revised Bulletin "F" might suggest. Under the circumstances, a reissuance of a revised bulletin might lead to misunderstanding, over-emphasis on suggested schedules, and even more prolonged disputes whether the Bulletin "F" life, some prospective estimated life, or other measure should control the depreciation period in any particular situation.

Mindful of the critical importance of the depreciation provisions to business and investors at this time and of the opportunities for constructive reform in this vital area, the Treasury, after completing and analyzing the results of a "pretest" survey, has undertaken a survey to obtain additional general statistical information on current practices and present opinions on depreciation. This survey is being conducted in cooperation with the Small Business Administration to insure coverage of both large and small firms. In connection with this survey, a questionnaire is being circulated among some 6,000 businesses which provide a cross section of American industry with respect to depreciation problems and practices.

In our letter of transmittal to those covered by this survey, we note the great importance of the treatment of depreciation for business and for the expansion of job opportunities and of the economy generally. We are confident that the businesses included in this survey will recognize that it is essential to have a sound factual basis in order to improve the administration of depreciation or to change the statutory provisions in this area as urged by many business groups.

A number of business and professional organizations were consulted in the planning and developing of the survey. The great majority of these organizations indicated their support for such a study. We believe that the information and the more up-to-date understanding which we hope to obtain through the survey will furnish guidance in case of further administrative or legislative change.

Certain tentative conclusions may be drawn from the limited and fragmentary data already obtained from the pretest survey covering 26 companies. One of the principal findings was the diversity in depreciation practices, rates, and attitudes among these corporations. Outside certain special situations, the pretest survey showed that the great bulk of all new property installations by these taxpayers since 1954 was being depreciated under the new liberalized methods. Comparison of the service lives and depreciation rates used by the large companies with Bulletin "F" disclosed some service lives longer and a number of others substantially shorter than Bulletin "F" standards.

Again, I wish to re-emphasize that unrestricted capital gain treatment of the profit on the sale of depreciable assets is a troublesome barrier to sound administration of depreciation allowances. Many of the problems and controversies in the application of the depreciation provisions have centered around the estimate of service life of equipment, including the obsolescence factor which injects such a high degree of uncertainty into the determination of useful life.

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In attempting to estimate the average life of a piece of equipment, it is possible for experts in the field to make reasonable estimates although there is inevitably a substantial margin of error. We frequently hear the contention that meticulousness on the part of the revenue agents on the question of service life is misplaced, since depreciation after all is merely a matter of timing allowances. It is not true that the rate of depreciation is merely a matter of timing if an overdepreciated property may be sold subject to capital gain rates so as to afford the taxpayer an unintended advantage by juxtaposing ordinary tax rates and the reduced rates on capital gains with respect to the same item of income. Consequently, so long as capital gain treatment applies to the entire profit on resale of depreciable equipment, the administrators of our tax laws are required to be meticulous if they are to be faithful to the clear intent of the statute in providing a reasonable allowance for capital recovery.

The practice of charging off an item of equipment over a relatively short period of time, and at the end of the charge-off period disposing of the item at a relatively substantial gain, has grown up in many sections of industry. Some taxpayers, ignoring salvage value and claiming to rely on section 1231 of the Code, have reported this gain as a long-term capital gain. The problems created by this practice are serious. They transcend the artificial tax savings sought by some taxpayers since they have unfortunate effects on the approach to the determination of service lives, depreciation rates, and estimated salvage values for taxpayers generally.

Treasury regulations based on the long-standing principle that an asset may not be depreciated below salvage value have had some success in checking distortions of the depreciation allowance in specialized areas chiefly involving property with very short service lives. But such regulations, which have been challenged in the courts, do not adequately resolve the more general issues involving the relationship between depreciation and resale of equipment at capital gain rates.

The suggested change in the treatment of gain on the sale of depreciable property would facilitate sound administration of the present depreciation rules. As previously stated it would work against unfair tax advantage by those who depreciate property over-rapidly. Before we undertake any long-range consideration of getting more flexibility into the depreciation schedules, either administratively or by statute, this step should be taken first. The proposal is in keeping with suggestions received from a number of witnesses in the course of the panel discussions on tax revision which your Committee conducted last November and December.

The recommended legislation would be an important step in the direction of both fairness and simplification. It would eliminate friction between the Service and taxpayers in areas where reasonable men may differ and where the resolution of differences would be possible except for the extraneous factor of capital gain treatment.

The restriction of capital gain treatment would check some existing sources of revenue loss and prevent possible permanent revenue losses in the depreciation area. The resulting simplification of administration should result in economies and better utilization of the Internal Revenue Service staff in the application of the tax laws.

In conclusion, I would like to emphasize the need for the proposed legislation and the important benefits which it may produce within the existing general system of depreciation. Within the present framework we believe that the proposed legislation will encourage a fairer and simpler administration of the existing law, reduce controversy and abuse, and thereby encourage the growth of our industrial resources.

The staff of the Treasury will be available to work cooperatively with the staff of your Committee in furnishing whatever information and technical assistance the Committee may require in exploring all aspects of this important piece of legislation.

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from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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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.

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. Those submitting 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 for the additional bills dated December 10, 1959, ( 91 days remaining until maturity date on June 9, 1960 ) and noncompetitive tenders for $ 100,000 or less for the 182 -day bills 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 March 10, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 10, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

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TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, March 3, 1960 .

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,600,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing March 10, 1960 , in the amount of $ 1,600,829,000 , as follows:

91 -day bills (to maturity date) to be issued March 10, 1960 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated December 10, 1959 , and to mature June 9, 1960 , originally issued in the amount of $ 500,184,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 400,000,000 , or thereabouts, to be dated March 10, 1960 , and to mature September 8, 1960 .

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 7, 1960 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated December 10,1959, (91 days remaining until maturity date on June 9, 1960) and noncompetitive tenders for $100,000 or less for the 182-day bills 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 March 10, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 10, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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RELEASE A. M. NEWSPAPERS, Tuesday, March 8, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 10, 1959, and the other series to be dated March 10, 1960, which were offered on March 3, were opened at the Federal Reserve Banks on March 7. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 June 9, 1960 | | 182-day Treasury bills maturing September 8, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.093 | 3.588% | 97.972 | 4.011% |
| Low | 99.057 | 3.731% | 97.960 | 4.035% |
| Average | 99.080 | 3.641% 1/ | 97.966 | 4.024% 1/ |

34 percent of the amount of 91-day bills bid for at the low price was accepted
14 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 27,990,000 | $ 17,680,000 | $ 4,593,000 | $ 3,683,000 |
| New York | 1,261,709,000 | 773,709,000 | 800,599,000 | 330,381,000 |
| Philadelphia | 23,057,000 | 13,057,000 | 14,121,000 | 3,389,000 |
| Cleveland | 31,684,000 | 26,684,000 | 24,570,000 | 10,750,000 |
| Richmond | 13,339,000 | 13,339,000 | 3,402,000 | 1,682,000 |
| Atlanta | 33,433,000 | 32,633,000 | 4,229,000 | 3,229,000 |
| Chicago | 240,308,000 | 176,648,000 | 74,827,000 | 11,489,000 |
| St. Louis | 21,901,000 | 21,401,000 | 5,124,000 | 3,474,000 |
| Minneapolis | 11,966,000 | 11,966,000 | 4,715,000 | 1,915,000 |
| Kansas City | 26,359,000 | 26,359,000 | 15,718,000 | 6,333,000 |
| Dallas | 18,026,000 | 18,026,000 | 8,395,000 | 3,495,000 |
| San Francisco | 68,503,000 | 68,503,000 | 53,113,000 | 20,300,000 |
| TOTALS | $1,778,275,000 | $1,200,095,000 a/ | $1,013,406,000 | $400,120,000 b/ |

a/ Includes $245,932,000 noncompetitive tenders accepted at the average price of 99.0
b/ Includes $57,028,000 noncompetitive tenders accepted at the average price of 97.96
1/ Average rate on a coupon issue equivalent yield basis is 3.73% for the 91-day bills and 4.16% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

dest

# TREASURY DEPARTMENT

WASHINGTON, D.C.

LEASE A. M. NEWSPAPERS, Tuesday, March 8, 1960. A-779

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated December 10, 959, and the other series to be dated March 10, 1960, which were offered on March 3, re opened at the Federal Reserve Banks on March 7. Tenders were invited for ,200,000,000, or thereabouts, of 91-day bills and for $400,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

| NGE OF ACCEPTED MPETITIVE BIDS: | 91-day Treasury bills maturing June 9, 1960 | | : | 182-day Treasury bills maturing September 8, 1960 | |
|---|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | : | Price | Approx. Equiv. Annual Rate |
| High | 99.093 | 3.588% | : | 97.972 | 4.011% |
| Low | 99.057 | 3.731% | : | 97.960 | 4.035% |
| Average | 99.080 | 3.641% 1/ | : | 97.966 | 4.024% 1/ |

percent of the amount of 91-day bills bid for at the low price was accepted
percent of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | : | Applied For | Accepted |
|---|---|---|---|---|---|
| Boston | $ 27,990,000 | $ 17,680,000 | : | $ 4,593,000 | $ 3,683,000 |
| New York | 1,261,709,000 | 773,709,000 | : | 800,599,000 | 330,381,000 |
| Philadelphia | 23,057,000 | 13,057,000 | : | 14,121,000 | 3,389,000 |
| Cleveland | 31,684,000 | 26,684,000 | : | 24,570,000 | 10,750,000 |
| Richmond | 13,339,000 | 13,339,000 | : | 3,402,000 | 1,682,000 |
| Atlanta | 33,433,000 | 32,633,000 | : | 4,229,000 | 3,229,000 |
| Chicago | 240,308,000 | 176,648,000 | : | 74,827,000 | 11,489,000 |
| St. Louis | 21,901,000 | 21,401,000 | : | 5,124,000 | 3,474,000 |
| Minneapolis | 11,966,000 | 11,966,000 | : | 4,715,000 | 1,915,000 |
| Kansas City | 26,359,000 | 26,359,000 | : | 15,718,000 | 6,333,000 |
| Dallas | 18,026,000 | 18,026,000 | : | 8,395,000 | 3,495,000 |
| San Francisco | 68,503,000 | 68,503,000 | : | 53,113,000 | 20,300,000 |
| TOTALS | $1,778,275,000 | $1,200,005,000 a/ | | $1,013,406,000 | $400,120,000 b/ |

Includes $245,932,000 noncompetitive tenders accepted at the average price of 99.080
Includes $57,028,000 noncompetitive tenders accepted at the average price of 97.966
Average rate on a coupon issue equivalent yield basis is 3.73% for the 91-day bills and 4.16% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated December 17, 1959, ( 91 days remaining until maturity date on June 16, 1960 ) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 March 17, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 17, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

A-780

RELEASE A. M. NEWSPAPERS,
Thursday, March 10, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 17, 1960, in the amount of $ 1,600,026,000, as follows:

91-day bills (to maturity date) to be issued March 17, 1960, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated December 17, 1959, and to mature June 16, 1960, originally issued in the amount of $ 500,014,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 400,000,000, or thereabouts, to be dated March 17, 1960, and to mature September 15, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 14, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
Thursday, March 10, 1960.

A-780

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 17, 1960, in the amount of $1,600,026,000, as follows:

91-day bills (to maturity date) to be issued March 17, 1960, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated December 17,1959, and to mature June 16, 1960, originally issued in the amount of $500,014,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 400,000,000, or thereabouts, to be dated March 17, 1960, and to mature September 15, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 14, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and 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.

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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated December 17,1959, (91 days remaining until maturity date on June 16, 1960) and noncompetitive tenders for $100,000 or less for the 182-day bills 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 March 17, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 17, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-781

309

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958

QUARTERLY QUOTA PERIOD - January 1, 1960 - March 31, 1960

IMPORTS - January 1, 1960 - March 8, 1960

| Country of Production | ITEM 391 Lead-bearing ores, flue dust, and mattes | | ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead | Imports | Quarterly Quota Dutiable Lead | Imports | Quarterly Quota Dutiable Zinc | Imports | Quarterly Quota By Weight | Imports |
| | (Pounds) | | (Pounds) | | (Pounds) | | (Pounds) | |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,680,000 | - | | - | |
| Belgian Congo | - | | - | | - | | 5,440,000 | 4,465,450 |
| Belgium and Luxemburg (total) | - | | - | | - | | 7,520,000 | 2,154,540 |
| Bolivia | 5,040,000 | 5,040,000 | - | | - | | - | |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 10,408,439 | 66,480,000 | 66,480,000 | 37,840,000 | 31,631,353 |
| Italy | - | | - | | - | | 3,600,000 | 3,521,579 |
| Mexico | - | | 36,880,000 | 36,331,032 | 70,480,000 | 66,621,825 | 6,320,000 | 1,632,509 |
| Peru | 16,160,000 | 10,869,493 | 12,880,000 | 4,144,420 | 35,120,000 | 16,915,705 | 3,760,000 | 2,964,147 |
| Un. So. Africa | 14,880,000 | 13,090,168 | - | | - | | - | |
| Yugoslavia | - | | 15,760,000 | 15,760,000 | - | | - | |
| All other foreign countries (total) | 6,560,000 | 6,517,200 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,887,207 |

**TREASURY DEPARTMENT**
**Washington, D. C.**

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-781

**PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958**

**QUARTERLY QUOTA PERIOD** - January 1, 1960 - March 31, 1960

**IMPORTS** - January 1, 1960 - March 8, 1960

| Country of Production | ITEM 391: Lead-bearing ores, flue dust, and mattes | | ITEM 392: Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. | | ITEM 393: Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc | | ITEM 394: Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings | |
|---|---|---|---|---|---|---|---|---|
| | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Lead (Pounds) | Imports | Quarterly Quota Dutiable Zinc (Pounds) | Imports | Quarterly Quota By Weight (Pounds) | Imports |
| Australia | 10,080,000 | 10,080,000 | 23,680,000 | 23,680,000 | - | | - | |
| Belgian Congo | - | | - | | - | | 5,440,000 | 4,465,450 |
| Belgium and Luxemburg (total) | - | | - | | - | | 7,520,000 | 2,154,540 |
| Bolivia | 5,040,000 | 5,040,000 | - | | - | | - | |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 10,408,439 | 66,480,000 | 66,480,000 | 37,840,000 | 31,631,353 |
| Italy | - | | - | | - | | 3,600,000 | 3,521,579 |
| Mexico | - | | 36,880,000 | 36,331,032 | 70,480,000 | 66,621,825 | 6,320,000 | 1,632,509 |
| Peru | 16,160,000 | 10,869,493 | 12,880,000 | 4,144,420 | 35,120,000 | 16,915,705 | 3,760,000 | 2,964,147 |
| Un. So. Africa | 14,880,000 | 13,090,168 | - | | - | | - | |
| Yugoslavia | - | | 15,760,000 | 15,760,000 | - | | - | |
| All other foreign countries (total) | 6,560,000 | 6,517,200 | 6,080,000 | 6,080,000 | 17,840,000 | 17,840,000 | 6,080,000 | 4,887,207 |

## COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to March 8, 1960 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1959 to March 8, 1960 |
|---|---|---|---|---|
| United Kingdom | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada | 239,690 | 239,690 | - | - |
| France | 227,420 | 131,686 | 75,807 | 75,807 |
| British India | 69,627 | - | - | - |
| Netherlands | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland | 44,388 | - | 14,796 | - |
| Belgium | 38,559 | - | 12,853 | - |
| Japan | 341,535 | - | - | - |
| China | 17,322 | - | - | - |
| Egypt | 8,135 | - | - | - |
| Cuba | 6,544 | - | - | - |
| Germany | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,130,714 | 1,599,886 | 1,566,878 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-782

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - March 8, 1960

| Country of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - | Honduras .............. | 752 | 752 |
| Peru .................. | 247,952 | - | Paraguay .............. | 871 | - |
| British India .......... | 2,003,483 | 400 | Colombia .............. | 124 | 124 |
| China .................. | 1,370,791 | - | Iraq .................. | 195 | - |
| Mexico .................. | 8,883,259 | 8,883,259 | British East Africa ... | 2,240 | - |
| Brazil .................. | 618,723 | 618,000 | Netherlands E. Indies . | 71,388 | - |
| Union of Soviet Socialist Republics ... | 475,124 | - | Barbados .............. | - | - |
| Argentina .............. | 5,203 | - | 1/Other British W. Indies | 21,321 | - |
| Haiti .................. | 237 | - | Nigeria ............... | 5,377 | - |
| Ecuador ................ | 9,333 | - | 2/Other British W. Africa | 16,004 | - |
| | | | 3/Other French Africa ... | 689 | - |
| | | | Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - March 8, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-782

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by the President's Proclamation of September 5, 1939, as amended

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1959 - March 8, 1960

| Country of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| Egypt and the Anglo-Egyptian Sudan ........ | 783,816 | - | Honduras .............. | 752 | 752 |
| Peru .................... | 247,952 | - | Paraguay .............. | 871 | - |
| British India ........... | 2,003,483 | 400 | Colombia .............. | 124 | 124 |
| China ................... | 1,370,791 | - | Iraq .................. | 195 | - |
| Mexico .................. | 8,883,259 | 8,883,259 | British East Africa ... | 2,240 | - |
| Brazil .................. | 618,723 | 618,000 | Netherlands E. Indies . | 71,388 | - |
| Union of Soviet Socialist Republics ... | 475,124 | - | Barbados .............. | - | - |
| Argentina ............... | 5,203 | - | 1/Other British W. Indies | 21,321 | - |
| Haiti ................... | 237 | - | Nigeria ............... | 5,377 | - |
| Ecuador ................. | 9,333 | - | 2/Other British W. Africa | 16,004 | - |
| | | | 3/Other French Africa ... | 689 | - |
| | | | Algeria and Tunisia ... | - | - |

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

Cotton 1-1/8" or more
Imports August 1, 1959 - March 8, 1960

Established Quota (Global) - 45,656,420 Lbs.

| Staple Length | Allocation | Imports |
|---|---|---|
| 1-3/8" or more | 39,590,778 | 39,590,778 |
| 1-5/32" or more and under 1-3/8" (Tanguis) | 1,500,000 | 1,500,000 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 4,565,642 |

# COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1959, to March 8, 1960 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1959 to March 8, 1960 |
|---|---|---|---|---|
| United Kingdom | 4,323,457 | 1,709,419 | 1,441,152 | 1,441,152 |
| Canada | 239,690 | 239,690 | - | - |
| France | 227,420 | 131,686 | 75,807 | 75,807 |
| British India | 69,627 | - | - | - |
| Netherlands | 68,240 | 22,216 | 22,747 | 22,216 |
| Switzerland | 44,388 | - | 14,796 | - |
| Belgium | 38,559 | - | 12,853 | - |
| Japan | 341,535 | - | - | - |
| China | 17,322 | - | - | - |
| Egypt | 8,135 | - | - | - |
| Cuba | 6,544 | - | - | - |
| Germany | 76,329 | 25,443 | 25,443 | 25,443 |
| Italy | 21,263 | 2,260 | 7,088 | 2,260 |
| | 5,482,509 | 2,130,714 | 1,599,886 | 1,566,878 |

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960. A-783

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to February 27, 1960, inclusive, of commodities for which quotas were established pursuant to the Philippine Trade Agreement Revision Act of 1955:

| Commodity | Established Annual Quota Quantity | Unit of Quantity | Imports as of February 27, 1960 |
|---|---|---|---|
| Buttons........... | 765,000 | Gross | 34,187 |
| Cigars............ | 180,000,000 | Number | 126,965 |
| Coconut Oil....... | 403,200,000 | Pound | 12,979,477 |
| Cordage........... | 6,000,000 | Pound | 515,782 |
| Sugars (Refined.... | 1,904,000,000 | Pound | 16,224,000* |
| Sugars (Unrefined.. | | | 373,464,000* |
| Tobacco........... | 5,850,000 | Pound | 2,471,544 |

* Information furnished by Department of Agriculture.

TREASURY DEPARTMENT
Washington

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IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-783

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to February 27, 1960, inclusive, of commodities for which quotas were established pursuant to the Philippine Trade Agreement Revision Act of 1955:

| Commodity | | Established Annual Quota Quantity | Unit of Quantity | Imports as of February 27, 1960 |
|---|---|---|---|---|
| Buttons........... | | 765,000 | Gross | 34,187 |
| Cigars............ | | 180,000,000 | Number | 126,965 |
| Coconut Oil....... | | 403,200,000 | Pound | 12,979,477 |
| Cordage........... | | 6,000,000 | Pound | 515,782 |
| Sugars | (Refined.... | 1,904,000,000 | Pound | 16,224,000* |
| | (Unrefined.. | | | 373,464,000* |
| Tobacco........... | | 5,850,000 | Pound | 2,471,544 |

* Information furnished by Department of Agriculture.

| Commodity | Period and Quantity | | Quantity | Imports as of Feb. 27, 1[illegible] |
|---|---|---|---|---|
| **Absolute Quotas:** | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)..... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 457,46[illegible] |
| Rye, rye flour, and rye meal..... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,21[illegible] |
| | Other Countries | 1,547,995 | Pound | |
| Butter substitutes, including butter oil, containing 45% or more butterfat.................. | Calendar Year | 1,200,000 | Pound | 1,199,95[illegible] |
| Tung Oil........................ | Feb. 1, 1960 - Oct. 31, 1960 | | | |
| | Argentina | 17,958,321 | Pound | 659,11[illegible] |
| | Paraguay | 2,223,000 | Pound | Quota Fill[illegible] |
| | Other Countries | 704,382 | Pound | 155,80[illegible] |

*Imports through March 9, 1960

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MARCH 11, 1960.

A-784

The Bureau of Customs announced today preliminary figures showing the imports for consumption of the commodities listed below within quota limitations from the beginning of the quota periods to February 27, 1960, inclusive, as follows:

| Commodity | Period and | Quantity | Unit of Quantity | Imports as of Feb. 27, 19 |
|---|---|---|---|---|
| Tariff-Rate Quotas: | | | | |
| Cream, fresh or sour.......... | Calendar Year | 1,500,000 | Gallon | 14 |
| Whole milk, fresh or sour..... | Calendar Year | 3,000,000 | Gallon | 21 |
| Cattle, 700 lbs. or more each (other than dairy cows)...... | Jan. 1, 1960 - March 31, 1960 | 120,000 | Head | 11,821 |
| Cattle, less than 200 lbs. ea. | 12 mos. from April 1, 1959 | 200,000 | Head | 32,422 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish..... | Calendar Year | 36,533,173 | Pound | Quota Fille |
| Tuna fish.................... | Calendar Year | To be announced | Pound | 5,168,179 |
| White or Irish potatoes: | | | | |
| Certified seed............... | 12 mos. from Sept. 15, 1959 | 114,000,000 | Pound | 44,861,875 |
| Other........................ | | 36,000,000 | Pound | 2,888,848 |
| Walnuts...................... | Calendar Year | 5,000,000 | Pound | 1,324,341 |
| Peanut oil................... | 12 mos. from July 1, 1959 | 80,000,000 | Pound | - |
| Woolen fabrics............... | Calendar Year | 13,500,000 | Pound | 11,077,982 |
| Stainless steel table flatware (table knives, table forks, table spoons)............... | Nov. 1, 1959 - Oct. 31, 1960 | 69,000,000 | Pieces | 34,027,489 |

1/ Imports for consumption at the quota rate are limited to 9,133,293 pounds during the first three months of the calendar year.

TREASURY DEPARTMENT
Washington, D. C.

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EDIATE RELEASE
IDAY, MARCH 11, 1960.

A-784

The Bureau of Customs announced today preliminary figures showing the imports for nsumption of the commodities listed below within quota limitations from the beginning the quota periods to February 27, 1960, inclusive, as follows:

| Commodity | Period and | Quantity | Unit of Quantity | Imports as of Feb. 27, 1960 |
|---|---|---|---|---|
| riff-Rate Quotas: | | | | |
| eam, fresh or sour.......... | Calendar Year | 1,500,000 | Gallon | 14 |
| ole milk, fresh or sour..... | Calendar Year | 3,000,000 | Gallon | 21 |
| ttle, 700 lbs. or more each other than dairy cows)...... | Jan. 1, 1960 - March 31, 1960 | 120,000 | Head | 11,821 |
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| na fish..................... | Calendar Year | To be announced | Pound | 5,168,179 |
| ite or Irish potatoes: | | | | |
| ertified seed............... | 12 mos. from Sept. 15, 1959 | 114,000,000 | Pound | 44,861,875 |
| ther........................ | | 36,000,000 | Pound | 2,888,848 |
| lnuts....................... | Calendar Year | 5,000,000 | Pound | 1,324,341 |
| anut oil.................... | 12 mos. from July 1, 1959 | 80,000,000 | Pound | - |
| olen fabrics................ | Calendar Year | 13,500,000 | Pound | 11,077,982 |
| tainless steel table flatware (table knives, table forks, table spoons)............... | Nov. 1, 1959 - Oct. 31, 1960 | 69,000,000 | Pieces | 34,027,489 |

1/ Imports for consumption at the quota rate are limited to 9,133,293 pounds during the first three months of the calendar year.

| Commodity | Period and | Quantity | Quantity | Imports as of Feb. 27, 1 |
|---|---|---|---|---|
| **Absolute Quotas:** | | | | |
| Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)..... | 12 mos. from August 1, 1959 | 1,709,000 | Pound | 457,46 |
| Rye, rye flour, and rye meal..... | Sept. 1, 1959 - June 30, 1960 | | | |
| | Canada | 75,851,741 | Pound | 50,636,21 |
| | Other Countries | 1,547,995 | Pound | |
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| Tung Oil........................ | Feb. 1, 1960 - Oct. 31, 1960 | | | |
| | Argentina | 17,958,321 | Pound | 659,11 |
| | Paraguay | 2,223,000 | Pound | Quota Fill |
| | Other Countries | 704,382 | Pound | 155,80 |

*Imports through March 9, 1960

FISCAL SERVICE
OFFICE OF
FISCAL ASST. SECRETARY

1960 MAR 10 PM 1 53

TREASURY DEPARTMENT

STATUTORY DEBT LIMITATION

AS OF FEBRUARY 29, 1960

Washington, Mar. 11, 1960

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of June 30, 1959 (P.L. 86-74 86th Congress) provides that during the period beginning on July 1, 1959 and ending June 30, 1960, the above limitation ($285,000,000,000) shall be temporarily increased by $10,000,000,000.

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

| | | | |
|---|---|---|---|
| Total face amount that may be outstanding at any one time | | | $295,000,000,000 |
| Outstanding- | | | |
| Obligations issued under Second Liberty Bond Act, as amended | | | |
| Interest-bearing: | | | |
| Treasury bills | $41,159,890,000 | | |
| Certificates of indebtedness | 15,245,190,000 | | |
| Treasury notes | 48,197,857,000 | $104,602,937,000 | |
| Bonds- | | | |
| Treasury | 84,730,818,450 | | |
| * Savings (current redemp. value) | 47,824,954,724 | | |
| Depositary | 174,429,500 | | |
| Investment series | 7,370,426,000 | 140,100,628,674 | |
| Special Funds- | | | |
| Certificates of indebtedness | 7,618,700,000 | | |
| Treasury notes | 10,637,772,000 | | |
| Treasury bonds | 24,578,110,000 | 42,834,582,000 | |
| Total interest-bearing | | 287,538,147,674 | |
| Matured, interest-ceased | | 456,055,875 | |
| Bearing no interest: | | | |
| United States Savings Stamps | 51,734,577 | | |
| Excess profits tax refund bonds | 802,580 | | |
| Special notes of the United States: | | | |
| Internat'l Monetary Fund series | 2,127,000,000 | 2,179,537,157 | |
| Total | | 290,173,740,706 | |
| Guaranteed obligations (not held by Treasury): | | | |
| Interest-bearing: | | | |
| Debentures: F.H.A. | 134,835,200 | | |
| Matured, interest-ceased | 556,875 | 135,392,075 | |
| Grand total outstanding | | | 290,309,132,781 |
| Balance face amount of obligations issuable under above authority | | | 4,690,867,219 |

Reconcilement with Statement of the Public Debt February 29, 1960
(Date)

(Daily Statement of the United States Treasury, February 29, 1960)
(Date)

| | |
|---|---|
| Outstanding- | |
| Total gross public debt | 290,583,412,103 |
| Guaranteed obligations not owned by the Treasury | 135,392,075 |
| Total gross public debt and guaranteed obligations | 290,718,804,178 |
| Deduct - other outstanding public debt obligations not subject to debt limitation | 409,671,397 |
| | 290,309,132,781 |

A-785

# STATUTORY DEBT LIMITATION

AS OF FEBRUARY 29, 1960

Washington, Mar. 11, 1960

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The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

| | | | |
|---|---|---|---|
| Total face amount that may be outstanding at any one time | | | $295,000,000,000 |
| Outstanding- | | | |
| Obligations issued under Second Liberty Bond Act, as amended | | | |
| Interest-bearing: | | | |
| Treasury bills | $41,159,890,000 | | |
| Certificates of indebtedness | 15,245,190,000 | | |
| Treasury notes | 48,197,857,000 | $104,602,937,000 | |
| Bonds- | | | |
| Treasury | 84,730,818,450 | | |
| * Savings (current redemp. value) | 47,824,954,724 | | |
| Depositary | 174,429,500 | | |
| Investment series | 7,370,426,000 | 140,100,628,674 | |
| Special Funds- | | | |
| Certificates of indebtedness | 7,618,700,000 | | |
| Treasury notes | 10,637,772,000 | | |
| Treasury bonds | 24,578,110,000 | 42,834,582,000 | |
| Total interest-bearing | | 287,538,147,674 | |
| Matured, interest-ceased | | 456,055,875 | |
| Bearing no interest: | | | |
| United States Savings Stamps | 51,734,577 | | |
| Excess profits tax refund bonds | 802,580 | | |
| Special notes of the United States: | | | |
| Internat'l Monetary Fund series | 2,127,000,000 | 2,179,537,157 | |
| Total | | 290,173,740,706 | |
| Guaranteed obligations (not held by Treasury): | | | |
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| Debentures: F.H.A. | 134,835,200 | | |
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| Grand total outstanding | | | 290,309,132,781 |
| Balance face amount of obligations issuable under above authority | | | 4,690,867,219 |

Reconcilement with Statement of the Public Debt February 29, 1960
(Date)

(Daily Statement of the United States Treasury, February 29, 1960)
(Date)

| | |
|---|---|
| Outstanding- | |
| Total gross public debt | 290,583,412,103 |
| Guaranteed obligations not owned by the Treasury | 135,392,075 |
| Total gross public debt and guaranteed obligations | 290,718,804,178 |
| Deduct - other outstanding public debt obligations not subject to debt limitation | 409,671,397 |
| | 290,309,132,781 |

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RELEASE A. M. NEWSPAPERS, Tuesday, March 15, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 17, 1959, and the other series to be dated March 17, 1960, which were offered on March 10, were opened at the Federal Reserve Banks on March 14. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 June 16, 1960 | | 182-day Treasury bills maturing September 15, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.138 | 3.410% | 98.184 | 3.592% |
| Low | 99.123 | 3.469% | 98.166 | 3.628% |
| Average | 99.128 | 3.451% 1/ | 98.170 | 3.619% 1/ |

75 percent of the amount of 91-day bills bid for at the low price was accepted
47 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 26,019,000 | $ 13,216,000 | $ 9,117,000 | $ 7,782,000 |
| New York | 1,420,036,000 | 827,382,000 | 667,693,000 | 255,139,000 |
| Philadelphia | 28,521,000 | 13,371,000 | 9,721,000 | 2,571,000 |
| Cleveland | 35,007,000 | 34,307,000 | 29,863,000 | 20,597,000 |
| Richmond | 13,981,000 | 12,731,000 | 5,308,000 | 1,838,000 |
| Atlanta | 31,689,000 | 28,122,000 | 5,946,000 | 4,977,000 |
| Chicago | 249,884,000 | 149,584,000 | 92,307,000 | 53,787,000 |
| St. Louis | 21,978,000 | 18,018,000 | 6,261,000 | 6,256,000 |
| Minneapolis | 12,973,000 | 10,473,000 | 4,645,000 | 1,945,000 |
| Kansas City | 33,638,000 | 30,396,000 | 14,308,000 | 8,742,000 |
| Dallas | 16,833,000 | 16,433,000 | 4,767,000 | 4,367,000 |
| San Francisco | 62,626,000 | 46,362,000 | 37,055,000 | 32,068,000 |
| TOTALS | $1,953,185,000 | $1,200,395,000 a/ | $886,991,000 | $400,069,000 b/ |

a/ Includes $260,822,000 noncompetitive tenders accepted at the average price of 99.128
b/ Includes $64,404,000 noncompetitive tenders accepted at the average price of 98.170
1/ Average rate on a coupon issue equivalent yield basis is 3.53% for the 91-day bills and 3.74% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, March 15, 1960.

A-786

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| Philadelphia | 28,521,000 | 13,371,000 | 9,721,000 | 2,571,000 |
| Cleveland | 35,007,000 | 34,307,000 | 29,863,000 | 20,597,000 |
| Richmond | 13,981,000 | 12,731,000 | 5,308,000 | 1,838,000 |
| Atlanta | 31,689,000 | 28,122,000 | 5,946,000 | 4,977,000 |
| Chicago | 249,884,000 | 149,584,000 | 92,307,000 | 53,787,000 |
| St. Louis | 21,978,000 | 18,018,000 | 6,261,000 | 6,256,000 |
| Minneapolis | 12,973,000 | 10,473,000 | 4,645,000 | 1,945,000 |
| Kansas City | 33,638,000 | 30,396,000 | 14,308,000 | 8,742,000 |
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March 1, 1960

MEMORANDUM TO MR. MARTIN L. MOORE:

The following transactions were made in direct and guaranteed securities of the Government for Treasury investments and other accounts during the month of February 1960:

| | |
|---|---|
| Purchases . . . . . . . . . . . . . . . . . . . . . . | $48,830,300.00 |
| Sales . . . . . . . . . . . . . . . . . . . . . . . . | 32,366,000.00 |
| NET PURCHASES . . | 16,464,300.00 |

# TREASURY DEPARTMENT 324

WASHINGTON, D.C.

IMMEDIATE RELEASE,
~~Monday, February 15, 1960.~~
Tuesday, March 15, 1960

~~A-766~~ A-787

During ~~January~~ February 1960, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of ~~$17,549,500.~~ $16,464,300.

oOo

# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE,
Tuesday, March 15, 1960.          A-787

During February 1960, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net purchases by the Treasury Department of $16,464,300.

oOo

can obtain capital on terms which bear less heavily on their economies than the types of loans which are now available. In this cooperative venture, other countries will join with us. We feel that the economic development of the less-developed countries must go on at a more rapid pace. This will be a source of hope to the peoples in these countries. It will serve to advance their economic life under free institutions, which we all desire. It is up to the United States to take the initial steps to bring this venture into active operation.

created no problem as far as the International Bank is concerned, and they need create no problem with regard to IDA.

The legislation also contains the authorization of the appropriation of $320,290,000 which will be our subscription in the IDA. I recommend that this authorization of appropriations be made at this time, though it will be necessary to appropriate only $73,666,700 for the fiscal year 1961. This amount represents the portions of our subscription which will fall due in fiscal 1961. In the following four fiscal years the appropriations required to meet our obligations will in each year amount to $61,655,825.

The President has urged the Congress to act promptly in passing this authorizing legislation. The IDA was proposed by the United States, and to maintain our position of leadership, it is necessary for us to proceed firmly. If we do so, we may well expect that other countries will adopt the necessary legislation for their acceptance of the IDA agreement. They will have until December 31, 1960, to take the necessary steps, though, if necessary, this time can be extended for an additional six months. The Articles will not become effective until countries providing 65 percent of the total subscription will have accepted the Articles of Agreement. This requirement is analogous to the procedure used in the recent increase in the capital of the International Bank. The agreement cannot become effective before September 15, 1960, but it will become effective any day after that time, when 33 percent of the total subscriptions is obtained from other countries, provided the United States, with 32 percent of the total has deposited its instrument of acceptance before that date.

The IDA inaugurates a new phase in international financial help for the less-developed countries. We have recognized their need. We have recognized that many of them cannot develop their economies effectively unless they

DLF resources are provided entirely by the United States through appropriations made by the Congress. In IDA, on the other hand, the United States will provide only about one-third of the total resources, while the other economically advanced countries of the world will provide considerably more than the United States. This, we believe, is an important step in giving due weight to the economic strength of other countries and their interest in assisting economic development. The extent to which IDA is to finance a project, or the DLF is to finance a project, or whether IDA would participate in combined efforts with other lending agencies, would depend in large part on the nature of the project and other considerations which may be relevant at the time.

It will be necessary to have appropriate coordination of the United States representatives in IDA with United States lending agencies. The National Advisory Council on International Monetary and Financial Problems was established by the Congress to coordinate the activities of the U.S. representatives on the International Bank and the International Monetary Fund with the activities of the Export-Import Bank and other agencies of the U.S. engaged in foreign lending and exchange transactions. The Council has now for a period of 14 years coordinated these activities by reviewing general policies and passing on particular transactions. It has advised the U.S. Governor and the U.S. Executive Director on the Bank on matters of policy in its operations. By the charter of IDA, these officials will serve in the same capacity <u>ex officiis</u>, as they do in the Bank. The enabling legislation for IDA provides that similar coordination will be assured with the new institution. It should be noted also that the U.S. Executive Director of the International Bank, who will represent us in the day-to-day operations of IDA, is also a member of the Board of DLF, which will be a further assurance of harmonious operation and cooperation.

The enabling legislation, which you are considering, also provides that IDA be granted privileges and immunities in the United States in the same way as the Bretton Woods Agreements Act has provided these privileges for the International Bank. The terms are identical and they have

While IDA is to be created as a separate financial entity, it is to be an affiliate of the International Bank. The President of the Bank will be ex officio President of IDA and will be responsible for its administration. The Executive Directors of the Bank representing the countries which are members of IDA will function as the Executive Directors of IDA. To the greatest extent possible, IDA will utilize the Bank's existing officers and staff, so that a large new organization will not be created. In brief, IDA will be administered very closely in conjunction with the International Bank's operations. Its activities will complement the Bank's, and it will enjoy the advantages of the Bank's prudent management.

It is our view that the operations of IDA will not conflict with the operations of the International Bank or the Export-Import Bank or the private capital market, since IDA will not make loans to countries or for projects which should properly be financed by these Banks or the private capital market. The size of IDA, in comparison with the Bank, in itself, will mean that the resources of IDA will have to be reserved for those priority projects which cannot be financed on more conventional banking terms but will make a significant contribution to economic development. The possibility of "bad loans driving out good" has been recognized and will be avoided by careful use of the limited resources of IDA and good judgment on the part of its management.

Closely related is the question of our own Development Loan Fund, which was created by the Congress to make loans on terms which also do not impose too heavy a burden on the balance of payments of the borrower. The DLF makes its loans only when a given project cannot be financed under the usual terms by the private market, the Export-Import Bank or the International Bank. IDA and DLF will have somewhat similar functions. The important difference is that the DLF is a purely United States institution. It operates under the foreign policy guidance of the Secretary of State, and its Board of Directors includes the Under Secretary of State, as well as other officials of the Government. The

The United States, under the Agricultural Trade Development and Assistance Act of 1954, as amended, has acquired considerable amounts of the currencies of the less-developed countries and will continue to acquire such amounts annually as long as this program is in effect. Up to the present, a large portion of the local currency receipts from our sales of surplus agricultural commodities is earmarked for loans for economic development to the country concerned. With IDA in existence, it will be possible to channel part of these local currencies to it to be used in defraying local costs on projects whose foreign exchange is otherwise financed, or for use in projects requiring local currencies wholly or in major part.

The arrangements for the use of local currencies which the United States might provide to IDA will be worked out in individual cases. To use local currencies effectively for advancing economic development, there will have to be a coincidence of the need for a currency by IDA and its availability to the United States for transfer to IDA. Many of these currencies are those of countries which need additional external resources and are themselves rarely in the position of offering assistance to other countries. There will be some cases, however, in which these currencies will be usable for exports. But the agreement of the country is necessary for such use by IDA, and in many cases these countries may prefer to sell their exports on world markets for foreign exchange rather than to make them available to IDA against payment in their own currency.

In order to transfer to the International Development Association local currencies received in payment for our surplus agricultural products, the agreement of the purchasing country will, of course, have to be secured through the sales agreement. By agreement in future sales contracts, these resources can be made available in part to IDA.

same way as the resources of the International Bank or the Export-Import Bank, whose loans are repaid in the currency loaned at maturities corresponding approximately to their own borrowings. In IDA, the longer the term of loans, the more slowly the resources will revolve. The larger the percentage of the loans made repayable in borrower currencies, the less prospect there is that the repayments to IDA will be in currencies which can be re-lent for new projects in other countries. It is, therefore, evident that if IDA is to continue its work over a long period of time, its hard currency resources will need replenishment from time to time.

The Articles provide that the member countries, by a two-thirds majority of the total voting power, may increase the resources by providing for additional subscriptions. The terms of any such additional subscriptions will have to be determined at the time, and there is provision for a review of the adequacy of IDA's resources at 5-year intervals. This provision should be noted, because it points to the likelihood that if IDA's operation is successful, requests for additional Congressional authorizations may be made in future years. I should like to point out that the United States is not obligated under the Articles to subscribe additional resources, unless it wishes to do so, even if they are authorized by an IDA resolution, and that the bill before you expressly provides that additional resources may not be subscribed by the United States under this provision without Congressional authorization. It should also be noted that any resolution to provide additional resources requires a two-thirds majority of the total voting power, and the United States alone has approximately 28 percent of the votes.

The Articles of IDA also provide arrangements whereby the United States can make some of its holdings of foreign currencies available to IDA for development projects. The Association may make arrangements with member countries to receive currencies of another country to be used as supplementary resources, when the Association is satisfied that the member whose currency is involved agrees to such use of its currency.

they can supply goods needed at reasonable cost, and in these instances their national currency subscriptions can be used elsewhere on IDA projects by agreement.

The Articles of Agreement allow the Executive Directors a great deal of flexibility in setting the terms and conditions of the loans. The IDA will be empowered to make loans wholly or partly repayable in the borrower's own currency. It will also be empowered to make loans repayable in hard currencies, but with longer maturities than are possible for International Bank loans in view of the Bank's own financing conditions. Loans may be made at rates of interest which will be below the rate on Bank loans. In short, it must be understood that the IDA is to make loans which will bear less heavily on the balances of payments of the borrowing countries than loans of the type now made by the International Bank or the Export-Import Bank. This indeed is the purpose of an IDA. The IDA Articles specify that it will not provide financing when it is available from private sources on reasonable terms for the recipient or could be provided by a loan of the type made by the Bank.

The effect on the balances of payments of the borrowing countries will vary somewhat, depending upon the policy which the IDA evolves within the flexibility as to terms of loans that is provided by the Articles. Long schedules of amortization or lower interest rates enable countries to pay off hard currency loans at a lower annual cost. When the repayment is made in local currencies, there is, of course, no burden on the balance of payments of the borrower. By these methods the developing countries will be able to obtain more finance than they could otherwise obtain. Their economic development will be accelerated, and in time they can be expected to become more self-sustaining, and sounder risks for more conventional financing and be able to attract more private capital investment.

It will be apparent at once from the terms of its loans that the original resources of IDA will not revolve in the bulk of its convertible currency assets is to be paid in by 17 member countries, which today are the more advanced economically. I should like to stress the importance of this contribution by other countries. The United States is scheduled to pay in $320 million of the initial subscriptions, while the other more-developed countries are scheduled to provide $443 million. These 16 countries have recovered from the effects of the war, they have expanded their trade, and they have acquired adequate, or more than adequate, monetary reserves. They are in a position today to help the less-developed countries. Hitherto, capital on flexible terms of repayment has been provided almost entirely by the United States through the Development Loan Fund. In the International Development Association, other countries will provide a larger share of the convertible currency resources than will the United States. These countries will include most of the Western European countries as well as Canada, Japan, Australia, and South Africa, countries which are also in a favorable position to provide funds.

The International Development Association, it is hoped, will include all of the members of the International Bank. The countries which are most advanced economically -- Part I countries in Schedule A of the Articles -- will make their payments entirely in gold or convertible currencies which IDA may use for purchases in any country. The less-developed countries, on the other hand, will pay 10 percent of their subscription in convertible currencies and the balance in their national currencies. They will participate to this extent as contributors of resources as well as borrowers. IDA may thus have in a 5-year period at its disposal some $785 million in freely convertible currencies from which it may make loans. The national currency contributed in its subscription by a less-developed country will be usable to defray local currency costs on projects in that country and may be used for exports for IDA-financed projects in other countries only with its consent. This provision appears reasonable. The less-developed countries, which are expected to receive loans from IDA, are not generally in a position to provide net resources for use in other countries. There will be, however, some occasions in which reasonable prospect that the loans can be serviced at the terms which they can offer. They make loans for sound projects in countries which can be expected to repay the loans in the currency loaned. The Export-Import Bank must be repaid in dollars, and the International Bank in dollars or other hard currency. The banks can meet the requirements of many projects, but they cannot in practice deal with some important cases. Some countries are today in a balance of payments position which gives little prospect that they could in the foreseeable future repay hard currency loans. Many of the less-developed countries have needs for capital in excess of their capacity to repay on the terms at which the Banks can lend. The International Development Association has been proposed as one means of dealing with some of these problems.

Undoubtedly, these factors were considered when the Senate, in July 1958, suggested that the National Advisory Council study the possibility of establishing an International Development Association, as an affiliate of the World Bank, to make loans for economic development which otherwise could not be made. The Council undertook this study and has submitted several reports to the Congress on the matter. The feasibility of an international agency of this sort depends in good part on the willingness of other countries to contribute to its resources. In accordance with the President's direction, we in the Treasury have held discussions with other countries which are in a position to make resources available, and we were so encouraged by their responses that the Council, in the summer of 1959, suggested outlines of the project. In the fall, the United States introduced a resolution, which was unanimously adopted by the Boards of Governors of the International Bank, calling upon the Executive Directors of the Bank to formulate Articles of Agreement for an International Development Association for submission to the member governments. The Directors completed their work on January 26, and their proposal has been put before you in the annex to the Special Report of the National Advisory Council.

The International Development Association represents a forward-looking step in international cooperation within the free world. All the member countries of the International Bank are expected to contribute to its resources, but the

The proposed International Development Association is intended to complement the development financing now provided by private investors and national and international agencies providing capital to the less-developed countries. It will not finance projects which can be undertaken by private investors on reasonable terms, or which should be financed by the International Bank or other conventional lending agencies under their usual terms.

Our own Export-Import Bank has over the years loaned over ten billions of dollars, which have contributed enormously to economic advance abroad. The International Bank, maintained by its 68 member countries, has provided over four billions in development loans. These two banks have represented a great advance in international financial relations. Their investments have not only paid off, in the sense that the borrowers have been able to meet interest and amortization, but in addition the banks have provided sound financing for some of the basic needs in terms of transportation, power, and communications. These investments have made possible as well the productive use of other equipment and the utilization of local resources. Their contribution to economic development is more than the record of dollars loaned and dollars repaid.

The terms of repayment and interest at which the Export-Import Bank and the International Bank can lend are determined in large part by the conditions under which the two banks obtain their funds for lending. The International Bank is now financed almost entirely by selling its securities in the financial markets of the United States and of the other industrialized countries. In making loans the rate of interest charged must cover the Bank's interest and administrative costs and provide reserves. The term of its loans must bear some fairly close relationship to the maturities at which the Bank itself borrows. Similarly, the Export-Import Bank, which secures its funds from the Treasury, must cover the cost of money to the Treasury as well as other costs, and also provide for reserves.

To maintain their position as sound financial institutions, these Banks make their loans only when there is

TREASURY DEPARTMENT
Washington

STATEMENT BY SECRETARY OF THE TREASURY ROBERT B. ANDERSON BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE, ON THE PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION (H.R. 11001), 10:00 A.M., EST, TUESDAY, MARCH 15, 1960.

Mr. Chairman:

The bill before you authorizes the President to accept membership for the United States in the proposed International Development Association. It would also give the necessary authorization, subject to later appropriation, of the funds necessary to pay the United States initial subscription. I wholeheartedly support enactment of this bill.

The Congress and the President have on many occasions expressed the great interest of the United States in the economic advance of the less-developed countries. In these countries there is a large and unsatisfied demand for the capital goods needed for the development of their resources and the effective utilization of their labor forces. These resources in the less-developed countries of Asia, Africa, and Latin American cannot now be utilized effectively for lack of the capital equipment and industrial skill which would enable them to produce more efficiently.

While economic progress in the less-developed countries must come in large part from their own efforts, they need outside assistance in financing their imports of capital goods. With increasing productivity they will be in a better position to utilize and mobilize their own resources. As President Eisenhower recently said in his State of the Union Message, referring to the less-developed countries, "These people, desperately hoping to lift themselves to decent levels of living must not, by our neglect, be forced to seek help from, and finally become virtual satellites of, those who proclaim their hostility to freedom." This means that the economically stronger countries of the free world must, individually and collectively, provide a share of the capital goods needed.

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Undoubtedly, these factors were considered when the Senate, in July 1958, suggested that the National Advisory Council study the possibility of establishing an International Development Association, as an affiliate of the World Bank, to make loans for economic development which otherwise could not be made. The Council undertook this study and has submitted several reports to the Congress on the matter. The feasibility of an international agency of this sort depends in good part on the willingness of other countries to contribute to its resources. In accordance with the President's direction, we in the Treasury have held discussions with other countries which are in a position to make resources available, and we were so encouraged by their responses that the Council, in the summer of 1959, suggested outlines of the project. In the fall, the United States introduced a resolution, which was unanimously adopted by the Boards of Governors of the International Bank, calling upon the Executive Directors of the Bank to formulate Articles of Agreement for an International Development Association for submission to the member governments. The Directors completed their work on January 26, and their proposal has been put before you in the annex to the Special Report of the National Advisory Council.

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The International Development Association, it is hoped, will include all of the members of the International Bank. The countries which are most advanced economically -- Part I countries in Schedule A of the Articles -- will make their payments entirely in gold or convertible currencies which IDA may use for purchases in any country. The less-developed countries, on the other hand, will pay 10 percent of their subscription in convertible currencies and the balance in their national currencies. They will participate to this extent as contributors of resources as well as borrowers. IDA may thus have in a 5-year period at its disposal some $785 million in freely convertible currencies from which it may make loans. The national currency contributed in its subscription by a less-developed country will be usable to defray local currency costs on projects in that country and may be used for exports for IDA-financed projects in other countries only with its consent. This provision appears reasonable. The less-developed countries, which are expected to receive loans from IDA, are not generally in a position to provide net resources for use in other countries. There will be, however, some occasions in which they can supply goods needed at reasonable cost, and in these instances their national currency subscriptions can be used elsewhere on IDA projects by agreement.

The Articles of Agreement allow the Executive Directors a great deal of flexibility in setting the terms and conditions of the loans. The IDA will be empowered to make loans wholly or partly repayable in the borrower's own currency. It will also be empowered to make loans repayable in hard currencies, but with longer maturities than are possible for International Bank loans in view of the Bank's own financing conditions. Loans may be made at rates of interest which will be below the rate on Bank loans. In short, it must be understood that the IDA is to make loans which will bear less heavily on the balances of payments of the borrowing countries than loans of the type now made by the International Bank or the Export-Import Bank. This indeed is the purpose of an IDA. The IDA Articles specify that it will not provide financing when it is available from private sources on reasonable terms for the recipient or could be provided by a loan of the type made by the Bank.

The effect on the balances of payments of the borrowing countries will vary somewhat, depending upon the policy which the IDA evolves within the flexibility as to terms of loans that is provided by the Articles. Long schedules of amortization or lower interest rates enable countries to pay off hard currency loans at a lower annual cost. When the repayment is made in local currencies, there is, of course, no burden on the balance of payments of the borrower. By these methods the developing countries will be able to obtain more finance than they could otherwise obtain. Their economic development will be accelerated, and in time they can be expected to become more self-sustaining, and sounder risks for more conventional financing and be able to attract more private capital investment.

It will be apparent at once from the terms of its loans that the original resources of IDA will not revolve in the same way as the resources of the International Bank or the Export-Import Bank, whose loans are repaid in the currency loaned at maturities corresponding approximately to their own borrowings. In IDA, the longer the term of loans, the more slowly the resources will revolve. The larger the percentage of the loans made repayable in borrower currencies, the less prospect there is that the repayments to IDA will be in currencies which can be re-lent for new projects in other countries. It is, therefore, evident that if IDA is to continue its work over a long period of time, its hard currency resources will need replenishment from time to time.

The Articles provide that the member countries, by a two-thirds majority of the total voting power, may increase the resources by providing for additional subscriptions. The terms of any such additional subscriptions will have to be determined at the time, and there is provision for a review of the adequacy of IDA's resources at 5-year intervals. This provision should be noted, because it points to the likelihood that if IDA's operation is successful, requests for additional Congressional authorizations may be made in future years. I should like to point out that the United States is not obligated under the Articles to subscribe additional resources, unless it wishes to do so, even if they are authorized by an IDA resolution, and that the bill before you expressly provides that additional resources may not be subscribed by the United States under this provision without Congressional authorization. It should also be noted that any resolution to provide additional resources requires a two-thirds majority of the total voting power, and the United States alone has approximately 28 percent of the votes.

The Articles of IDA also provide arrangements whereby the United States can make some of its holdings of foreign currencies available to IDA for development projects. The Association may make arrangements with member countries to receive currencies of another country to be used as supplementary resources, when the Association is satisfied that the member whose currency is involved agrees to such use of its currency.

The United States, under the Agricultural Trade Development and Assistance Act of 1954, as amended, has acquired considerable amounts of the currencies of the less-developed countries and will continue to acquire such amounts annually as long as this program is in effect. Up to the present, a large portion of the local currency receipts from our sales of surplus agricultural commodities is earmarked for loans for economic development to the country concerned. With IDA in existence, it will be possible to channel part of these local currencies to it to be used in defraying local costs on projects whose foreign exchange is otherwise financed, or for use in projects requiring local currencies wholly or in major part.

The arrangements for the use of local currencies which the United States might provide to IDA will be worked out in individual cases. To use local currencies effectively for advancing economic development, there will have to be a coincidence of the need for a currency by IDA and its availability to the United States for transfer to IDA. Many of these currencies are those of countries which need additional external resources and are themselves rarely in the position of offering assistance to other countries. There will be some cases, however, in which these currencies will be usable for exports. But the agreement of the country is necessary for such use by IDA, and in many cases these countries may prefer to sell their exports on world markets for foreign exchange rather than to make them available to IDA against payment in their own currency.

In order to transfer to the International Development Association local currencies received in payment for our surplus agricultural products, the agreement of the purchasing country will, of course, have to be secured through the sales agreement. By agreement in future sales contracts, these resources can be made available in part to IDA.

While IDA is to be created as a separate financial entity, it is to be an affiliate of the International Bank. The President of the Bank will be ex officio President of IDA and will be responsible for its administration. The Executive Directors of the Bank representing the countries which are members of IDA will function as the Executive Directors of IDA. To the greatest extent possible, IDA will utilize the Bank's existing officers and staff, so that a large new organization will not be created. In brief, IDA will be administered very closely in conjunction with the International Bank's operations. Its activities will complement the Bank's, and it will enjoy the advantages of the Bank's prudent management.

It is our view that the operations of IDA will not conflict with the operations of the International Bank or the Export-Import Bank or the private capital market, since IDA will not make loans to countries or for projects which should properly be financed by these Banks or the private capital market. The size of IDA, in comparison with the Bank, in itself, will mean that the resources of IDA will have to be reserved for those priority projects which cannot be financed on more conventional banking terms but will make a significant contribution to economic development. The possibility of "bad loans driving out good" has been recognized and will be avoided by careful use of the limited resources of IDA and good judgment on the part of its management.

Closely related is the question of our own Development Loan Fund, which was created by the Congress to make loans on terms which also do not impose too heavy a burden on the balance of payments of the borrower. The DLF makes its loans only when a given project cannot be financed under the usual terms by the private market, the Export-Import Bank or the International Bank. IDA and DLF will have somewhat similar functions. The important difference is that the DLF is a purely United States institution. It operates under the foreign policy guidance of the Secretary of State, and its Board of Directors includes the Under Secretary of State, as well as other officials of the Government. The

DLF resources are provided entirely by the United States through appropriations made by the Congress. In IDA, on the other hand, the United States will provide only about one-third of the total resources, while the other economically advanced countries of the world will provide considerably more than the United States. This, we believe, is an important step in giving due weight to the economic strength of other countries and their interest in assisting economic development. The extent to which IDA is to finance a project, or the DLF is to finance a project, or whether IDA would participate in combined efforts with other lending agencies, would depend in large part on the nature of the project and other considerations which may be relevant at the time.

It will be necessary to have appropriate coordination of the United States representatives in IDA with United States lending agencies. The National Advisory Council on International Monetary and Financial Problems was established by the Congress to coordinate the activities of the U.S. representatives on the International Bank and the International Monetary Fund with the activities of the Export-Import Bank and other agencies of the U.S. engaged in foreign lending and exchange transactions. The Council has now for a period of 14 years coordinated these activities by reviewing general policies and passing on particular transactions. It has advised the U.S. Governor and the U.S. Executive Director on the Bank on matters of policy in its operations. By the charter of IDA, these officials will serve in the same capacity _ex officiis_, as they do in the Bank. The enabling legislation for IDA provides that similar coordination will be assured with the new institution. It should be noted also that the U.S. Executive Director of the International Bank, who will represent us in the day-to-day operations of IDA, is also a member of the Board of DLF, which will be a further assurance of harmonious operation and cooperation.

The enabling legislation, which you are considering, also provides that IDA be granted privileges and immunities in the United States in the same way as the Bretton Woods Agreements Act has provided these privileges for the International Bank. The terms are identical and they have created no problem as far as the International Bank is concerned, and they need create no problem with regard to IDA.

The legislation also contains the authorization of the appropriation of $320,290,000 which will be our subscription in the IDA. I recommend that this authorization of appropriations be made at this time, though it will be necessary to appropriate only $73,666,700 for the fiscal year 1961. This amount represents the portions of our subscription which will fall due in fiscal 1961. In the following four fiscal years the appropriations required to meet our obligations will in each year amount to $61,655,825.

The President has urged the Congress to act promptly in passing this authorizing legislation. The IDA was proposed by the United States, and to maintain our position of leadership, it is necessary for us to proceed firmly. If we do so, we may well expect that other countries will adopt the necessary legislation for their acceptance of the IDA agreement. They will have until December 31, 1960, to take the necessary steps, though, if necessary, this time can be extended for an additional six months. The Articles will not become effective until countries providing 65 percent of the total subscription will have accepted the Articles of Agreement. This requirement is analogous to the procedure used in the recent increase in the capital of the International Bank. The agreement cannot become effective before September 15, 1960, but it will become effective any day after that time, when 33 percent of the total subscriptions is obtained from other countries, provided the United States, with 32 percent of the total has deposited its instrument of acceptance before that date.

The IDA inaugurates a new phase in international financial help for the less-developed countries. We have recognized their need. We have recognized that many of them cannot develop their economies effectively unless they can obtain capital on terms which bear less heavily on their economies than the types of loans which are now available. In this cooperative venture, other countries will join with us. We feel that the economic development of the less-developed countries must go on at a more rapid pace. This will be a source of hope to the peoples in these countries. It will serve to advance their economic life under free institutions, which we all desire. It is up to the United States to take the initial steps to bring this venture into active operation.

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 ~~(16)~~ or less for the additional bills dated December 24, 1959 ~~(17)~~, ( 91 ~~(18)~~ days remaining until maturity date on June 23, 1960 ~~(19)~~) and noncompetitive tenders for $ 100,000 ~~(20)~~ or less for the 182 ~~(21)~~ -day bills 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 March 24, 1960 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 24, 1960 ~~(23)~~. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

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TREASURY DEPARTMENT
Washington

A-789

RELEASE A. M. NEWSPAPERS,
Thursday, March 17, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 24, 1960, in the amount of $1,601,595,000, as follows:

91-day bills (to maturity date) to be issued March 24, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated December 24, 1959, and to mature June 23, 1960, originally issued in the amount of $500,033,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated March 24, 1960, and to mature September 22, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 21, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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91-day bills (to maturity date) to be issued March 24, 1960, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated December 24, 1959, and to mature June 23, 1960, originally issued in the amount of $ 500,033,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $400,000,000, or thereabouts, to be dated March 24, 1960, and to mature September 22, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 21, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and 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.

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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated December 24, 1959,( 91days remaining until maturity date on June 23, 1960) and noncompetitive tenders for $ 100,000 or less for the 182-day bills 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 March 24, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 24, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1959 - December 31, 1959

(in millions of dollars at $35 per fine troy ounce)

Negative figures represent net sales by the United States; positive figures, net purchases

| Country | First Quarter 1959 | Second Quarter 1959 | Third Quarter 1959 | Fourth Quarter 1959 | Calendar Year 1959 |
|---|---|---|---|---|---|
| Austria | --- | -39.3 | -43.4 | --- | -82.7 |
| Bank for International Settlements | -7.0 | -25.0 | --- | --- | -32.0 |
| Belgium | --- | -38.5 | --- | --- | -38.5 |
| Ceylon | --- | --- | --- | -7.5 | -7.5 |
| Chile | --- | --- | -1.3 | --- | -1.3 |
| Denmark | --- | -5.0 | -10.0 | --- | -15.0 |
| Finland | --- | --- | -4.7 | --- | -4.7 |
| France | --- | --- | -65.6 | -200.0 | -265.7 |
| Greece | --- | --- | --- | -15.0 | -15.0 |
| Indonesia | --- | -5.0 | --- | -6.0 | -11.0 |
| International Monetary Fund | -8.8 | -343.8* | +189.1 | +90.5 | -72.9 |
| Israel | --- | --- | -4.4 | --- | -4.4 |
| Japan | -49.9 | -45.0 | -62.5 | --- | -157.4 |
| Korea | --- | --- | --- | -1.6 | -1.6 |
| Mexico | --- | -20.0 | -10.0 | --- | -30.0 |
| Netherlands | -29.9 | --- | --- | --- | -29.9 |
| Philippines | +5.0 | --- | +5.0 | --- | +10.0 |
| Portugal | --- | -10.0 | --- | --- | -10.0 |
| Switzerland | --- | --- | --- | +20.1 | +20.1 |
| United Kingdom | --- | -200.0 | -150.0 | --- | -350.0 |
| Vatican City | -1.2 | --- | --- | --- | -1.2 |
| Venezuela | --- | --- | --- | +65.0 | +65.0 |
| Yugoslavia | --- | --- | --- | -1.5 | -1.5 |
| All Other | -.9 | -.9 | -1.6 | -1.0 | -4.4 |
| Total | -92.6 | -732.5* | -159.3 | -57.0 | -1,041.4 |

* Pursuant to the Act approved June 17, 1959, the United States made payment of its increase in quota to the International Monetary Fund, amounting to $1,375,000,000 on June 23, 1959. The payment was made in gold in amount of $343,750,000.40, and in non-negotiable, non-interestbearing notes of the United States amounting to $1,031,249,999.60 in place of a like amount of currency.

Figures may not add to totals because of rounding.

IMMEDIATE RELEASE,
Thursday, March 17, 1960.

A-790

# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE,
Thursday, March 17, 1960.

A-790

IMMEDIATE RELEASE,
Thursday, March 17, 1960. A-790

The Treasury Department today made public a report of monetary gold transactions with foreign governments, central banks, and international institutions for the calendar year 1959. For the year as a whole, net sales of gold by the United States amounted to $697.7 million.

Pursuant to the Act approved June 17, 1959, the United States made payment of its increase in quota to the International Monetary Fund, amounting to $1,375,000,000, on June 23, 1959. Of this amount, $343.8 million was paid in gold. With this gold payment to the International Monetary Fund in June, United States net monetary gold transactions were $1,041.4 million for the year. Including domestic transactions, Treasury gold stocks declined $1,078 million in 1959 in comparison with a decline of $2,247 million in 1958.

A table showing quarterly and annual net transactions, by country, for 1959 is printed on reverse side.

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UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1959 - December 31, 1959

(in millions of dollars at $35 per fine troy ounce)

Negative figures represent net sales by the United States; positive figures, net purchases

| Country | First Quarter 1959 | Second Quarter 1959 | Third Quarter 1959 | Fourth Quarter 1959 | Calendar Year 1959 |
|---|---|---|---|---|---|
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| Bank for International Settlements | -7.0 | -25.0 | --- | --- | -32.0 |
| Belgium | --- | -38.5 | --- | --- | -38.5 |
| Ceylon | --- | --- | --- | -7.5 | -7.5 |
| Chile | --- | --- | -1.3 | --- | -1.3 |
| Denmark | --- | -5.0 | -10.0 | --- | -15.0 |
| Finland | --- | --- | -4.7 | --- | -4.7 |
| France | --- | --- | -65.6 | -200.0 | -265.7 |
| Greece | --- | --- | --- | -15.0 | -15.0 |
| Indonesia | --- | -5.0 | --- | -6.0 | -11.0 |
| International Monetary Fund | -8.8 | -343.8* | +189.1 | +90.5 | -72.9 |
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| Japan | -49.9 | -45.0 | -62.5 | --- | -157.4 |
| Korea | --- | --- | --- | -1.6 | -1.6 |
| Mexico | --- | -20.0 | -10.0 | --- | -30.0 |
| Netherlands | -29.9 | --- | --- | --- | -29.9 |
| Philippines | +5.0 | --- | +5.0 | --- | +10.0 |
| Portugal | --- | -10.0 | --- | --- | -10.0 |
| Switzerland | --- | --- | --- | +20.1 | +20.1 |
| United Kingdom | --- | -200.0 | -150.0 | --- | -350.0 |
| Vatican City | -1.2 | --- | --- | --- | -1.2 |
| Venezuela | --- | --- | --- | +65.0 | +65.0 |
| Yugoslavia | --- | --- | --- | -1.5 | -1.5 |
| All Other | --.9 | -.9 | -1.6 | -1.0 | -4.4 |
| Total | -92.6 | -732.5* | -159.3 | -57.0 | -1,041.4 |

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Figures may not add to totals because of rounding.

Immediate Release
Thursday, March 3, 1960

355 A-791

~~DRAFT PRESS~~ RELEASE

The Treasury Department announced today that technical discussions are to be held in the near future between representatives of the Governments of the United States and of France looking toward extension of the existing income tax convention to include Algeria and the Departments of the Sahara which are not now covered by the convention and such other modification as may be appropriate.

Interested persons in the United States who desire to offer comments or suggestions bearing on such discussions should submit them promptly to Mr. Fred C. Scribner, Jr., Under Secretary of the Treasury, Treasury Department, Washington 25, D. C.

approved by FCS, Jr.
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Thursday, March 17, 1960. A-791

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oOo

In 1944 he assisted in preparing draft proposals for the International Bank for Reconstruction and Development and the International Monetary Fund and attended the United Nations Monetary and Financial Conference at Bretton Woods as an Assistant to the Legal Advisor to the Conference. In addition to his duties in connection with Foreign Funds Control, Mr. Arnold, in 1947, acted as Chief Assistant to the Assistant General Counsel of the Treasury in connection with the preparation of the European Recovery Program.

Mr. Arnold has attended the annual meetings of the International Monetary Fund and the International Bank and has participated in drafting a number of international financial agreements, including the charters of the International Finance Corporation, the Inter-American Banks, and the proposed International Development Association.

Mr. Arnold, who has been with the Treasury for more than 20 years, was born in Staatsburg, New York, August 1, 1912. He received his A.B. Degree, summa cum laude, from Williams College, Williamstown, Massachusetts, in 1934, where he was elected to Phi Beta Kappa. He received his law degree from Columbia Law School in 1937 where he served on the Law Review. He was admitted to the New York Bar in 1938 and the District of Columbia Bar in 1949.

Mr. Arnold, who resides at 4914 Dorset Avenue, Chevy Chase, Maryland, is married and has two daughters.

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Immediate Release
Friday, Mar 18, 1960

358 A-792

Elting Arnold, Assistant General Counsel of the Treasury Department, and Acting Director of the Foreign Assets Control, has resigned effective March 19, 1960, to become General Counsel of the Inter-American Development Bank.

Since his appointment as an Assistant General Counsel in March, 1948, Mr. Arnold has been the Treasury's legal officer with respect to all matters relating to international finance.

During World War II, Mr. Arnold was one of the principal Treasury attorneys engaged in formulating the regulations and methods for carrying out censuses of foreign-owned property in the United States and American-owned property in foreign countries.

After the war, Mr. Arnold played a leading role in organizing and directing the return to rightful owners of billions of dollars worth of property belonging to non-enemy foreigners whose funds had been blocked in the United States as part of Treasury's war-time program. This undertaking ~~required him to~~ he negotiated with the governments of the countries of Western Europe which had been occupied during the war, as well as with the governments of neutral countries whose assets had been blocked. He served as an advisor to the U. S. Delegate of the Inter-Allied Reparations Agency meetings in Brussels, Belgium, in 1946, to make agreements resolving conflicting custodial problems.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

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RELEASE A. M. NEWSPAPERS, Tuesday, March 22, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 24, 1959, and the other series to be dated March 24, 1960, which were offered on March 17, were opened at the Federal Reserve Banks on March 21. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $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 June 23, 1960 | | 182-day Treasury bills maturing September 22, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.241 | 3.003% | 98.418 | 3.129% |
| Low | 99.220 | 3.086% | 98.352 | 3.260% |
| Average | 99.233 | 3.033% 1/ | 98.395 | 3.176% 1/ |

65 percent of the amount of 91-day bills bid for at the low price was accepted
7 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 42,013,000 | $ 37,384,000 | $ 5,720,000 | $ 5,720,000 |
| New York | 1,366,580,000 | 712,637,000 | 549,152,000 | 259,688,000 |
| Philadelphia | 30,526,000 | 15,526,000 | 8,549,000 | 3,549,000 |
| Cleveland | 38,535,000 | 38,335,000 | 9,533,000 | 9,333,000 |
| Richmond | 19,206,000 | 19,006,000 | 8,089,000 | 7,989,000 |
| Atlanta | 27,805,000 | 25,905,000 | 5,565,000 | 5,165,000 |
| Chicago | 225,702,000 | 151,397,000 | 75,980,000 | 52,980,000 |
| St. Louis | 23,373,000 | 21,873,000 | 6,326,000 | 6,226,000 |
| Minneapolis | 10,875,000 | 10,875,000 | 2,351,000 | 2,351,000 |
| Kansas City | 37,944,000 | 37,869,000 | 8,281,000 | 8,281,000 |
| Dallas | 24,970,000 | 22,895,000 | 5,254,000 | 4,504,000 |
| San Francisco | 106,461,000 | 106,461,000 | 34,289,000 | 34,289,000 |
| TOTALS | $1,953,990,000 | $1,200,163,000 a/ | $719,089,000 | $400,075,000 b/ |

a/ Includes $304,205,000 noncompetitive tenders accepted at the average price of 99.2[illegible]
b/ Includes $63,553,000 noncompetitive tenders accepted at the average price of 98.3[illegible]
1/ Average rate on a coupon issue equivalent yield basis is 3.10% for the 91-day bills and 3.27% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semi-annual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, March 22, 1960. A-793

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| Cleveland | 38,535,000 | 38,335,000 | 9,533,000 | 9,333,000 |
| Richmond | 19,206,000 | 19,006,000 | 8,089,000 | 7,989,000 |
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Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

| | Dec. 31, 1959 | June 10, 1959 | Dec. 31, 1958 | Increase or decrease since June 10, 1959 | | Increase or decrease since Dec. 31, 1958 | |
|---|---|---|---|---|---|---|---|
| | | | | Amount | Percent | Amount | Percent |
| LIABILITIES | | | | | | | |
| Deposits of individuals, partnerships, and corporations: | | | | | | | |
| Demand | 62,496,399 | 58,917,809 | 61,785,222 | 3,578,590 | 6.07 | 711,177 | 1.15 |
| Time | 34,385,356 | 33,779,747 | 32,614,707 | 605,609 | 1.79 | 1,770,649 | 5.43 |
| Deposits of U. S. Government | 2,936,037 | 1,755,388 | 2,565,032 | 1,180,649 | 67.26 | 371,005 | 14.46 |
| Postal savings deposits | 9,042 | 9,457 | 9,905 | -415 | -4.39 | -863 | -8.71 |
| Deposits of States and political subdivisions | 8,469,237 | 8,072,361 | 8,426,763 | 396,876 | 4.92 | 42,474 | .50 |
| Deposits of banks | 9,460,445 | 8,522,813 | 9,809,186 | 937,632 | 11.00 | -348,741 | -3.56 |
| Other deposits (certified and cashiers' checks, etc.) | 1,881,161 | 1,601,688 | 1,875,313 | 279,473 | 17.45 | 5,848 | .31 |
| Total deposits | 119,637,677 | 112,659,263 | 117,086,128 | 6,978,414 | 6.19 | 2,551,549 | 2.18 |
| Bills payable, rediscounts, and other liabilities for borrowed money | 340,362 | 1,419,817 | 43,035 | -1,079,455 | -76.03 | 297,327 | 690.90 |
| Other liabilities | 2,355,957 | 2,135,073 | 1,999,002 | 220,884 | 10.35 | 356,955 | 17.86 |
| Total liabilities, excluding capital accounts | 122,333,996 | 116,214,153 | 119,128,165 | 6,119,843 | 5.27 | 3,205,831 | 2.69 |
| CAPITAL ACCOUNTS | | | | | | | |
| Capital stock: | | | | | | | |
| Common | 3,166,651 | 3,075,784 | 2,947,787 | 90,867 | 2.95 | 218,864 | 7.42 |
| Preferred | 3,091 | 3,091 | 3,492 | -- | -- | -401 | -11.48 |
| Total | 3,169,742 | 3,078,875 | 2,951,279 | 90,867 | 2.95 | 218,463 | 7.40 |
| Surplus | 5,062,084 | 4,857,509 | 4,718,459 | 204,575 | 4.21 | 343,625 | 7.28 |
| Undivided profits | 1,814,637 | 1,843,558 | 1,711,435 | -28,921 | -1.57 | 103,202 | 6.03 |
| Reserves | 255,654 | 260,696 | 287,628 | -5,042 | -1.93 | -31,974 | -11.12 |
| Total surplus, profits and reserves | 7,132,375 | 6,961,763 | 6,717,522 | 170,612 | 2.45 | 414,853 | 6.18 |
| Total capital accounts | 10,302,117 | 10,040,638 | 9,668,801 | 261,479 | 2.60 | 633,316 | 6.55 |
| Total liabilities and capital accounts | 132,636,113 | 126,254,791 | 128,796,966 | 6,381,322 | 5.05 | 3,839,147 | 2.98 |
| RATIOS: | Percent | Percent | Percent | | | | |
| U.S.Gov't securities to total assets | 23.95 | 26.26 | 27.81 | | | | |
| Loans & discounts to total assets | 45.21 | 44.21 | 40.99 | | | | |
| Capital accounts to total deposits | 8.61 | 8.91 | 8.26 | | | | |

NOTE: Minus sign denotes decrease.

Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1959, June 10, 1959 and December 31, 1958

(In thousands of dollars)

| | Dec. 31, 1959 | June 10, 1959 | Dec. 31, 1958 | Increase or decrease since June 10, 1959 | | Increase or decrease since Dec. 31, 1958 | |
|---|---|---|---|---|---|---|---|
| | | | | Amount | Percent | Amount | Percent |
| Number of banks | 4,542 | 4,559 | 4,585 | -17 | | -43 | |
| ASSETS | | | | | | | |
| Commercial and industrial loans | 22,309,563 | 23,255,052 | 22,402,978 | -945,489 | -4.07 | -93,415 | -.42 |
| Loans on real estate | 15,169,786 | 14,505,113 | 13,713,325 | 664,673 | 4.58 | 1,456,461 | 10.62 |
| Loans to financial institutions | 4,249,564 | 1/ 836,884 | 1/ 266,478 | 3,412,680 | -- | 3,983,086 | -- |
| All other loans | 19,434,937 | 18,316,331 | 17,469,433 | 1,118,606 | 6.11 | 1,965,504 | 11.25 |
| Total gross loans | 61,163,850 | 56,913,380 | 53,852,214 | 4,250,470 | 7.47 | 7,311,636 | 13.58 |
| Less valuation reserves | 1,201,861 | 1,097,534 | 1,055,990 | 104,327 | 9.51 | 145,871 | 13.81 |
| Net loans | 59,961,989 | 55,815,846 | 52,796,224 | 4,146,143 | 7.43 | 7,165,765 | 13.57 |
| U. S. Government securities: | | | | | | | |
| Direct obligations | 31,723,878 | 33,147,723 | 35,821,327 | -1,423,845 | -4.30 | -4,097,449 | -11.44 |
| Obligations fully guaranteed | 37,092 | 4,604 | 3,433 | 32,488 | 705.65 | 33,659 | 980.45 |
| Total U. S. securities | 31,760,970 | 33,152,327 | 35,824,760 | -1,391,357 | -4.20 | -4,063,790 | -11.34 |
| Obligations of States and political subdivisions | 9,036,149 | 9,071,985 | 8,845,522 | -35,836 | -.40 | 190,627 | 2.16 |
| Other bonds, notes and debentures | 1,553,557 | 1,650,551 | 1,836,523 | -96,994 | -5.88 | -282,966 | -15.41 |
| Corporate stocks, including stocks of Federal Reserve banks | 302,179 | 291,561 | 281,419 | 10,618 | 3.64 | 20,760 | 7.38 |
| Total securities | 42,652,855 | 44,166,424 | 46,788,224 | -1,513,569 | -3.43 | -4,135,369 | -8.84 |
| Total loans and securities | 102,614,844 | 99,982,270 | 99,584,448 | 2,632,574 | 2.63 | 3,030,396 | 3.04 |
| Currency and coin | 1,521,334 | 1,602,648 | 1,675,827 | -81,314 | -5.07 | -154,493 | -9.22 |
| Reserve with Federal Reserve banks | 11,247,162 | 11,022,453 | 11,139,573 | 224,709 | 2.04 | 107,589 | .97 |
| Balances with other banks | 14,695,749 | 11,209,402 | 14,049,420 | 3,486,347 | 31.10 | 646,329 | 4.60 |
| Total cash, balances with other banks, including reserve balances and cash items in process of collection | 27,464,245 | 23,834,503 | 26,864,820 | 3,629,742 | 15.23 | 599,425 | 2.23 |
| Other assets | 2,557,024 | 2,438,018 | 2,347,698 | 119,006 | 4.88 | 209,326 | 8.92 |
| Total assets | 132,636,113 | 126,254,791 | 128,796,966 | 6,381,322 | 5.05 | 3,839,147 | 2.98 |

1/ Loans to banks only. Excludes loans to sales finance companies, mortgage companies and other real estate lenders which are included in commercial and industrial loans and loans to other financial institutions which are included in all other loans.

Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1959, June 10, 1959 and December 31, 1958

(In thousands of dollars)

| | Dec. 31, 1959 | June 10, 1959 | Dec. 31, 1958 | Increase or decrease since June 10, 1959 | | Increase or decrease since Dec. 31, 1958 | |
|---|---|---|---|---|---|---|---|
| | | | | Amount | Percent | Amount | Percent |
| Number of banks | 4,542 | 4,559 | 4,585 | -17 | | -43 | |
| ASSETS | | | | | | | |
| Commercial and industrial loans | 22,309,563 | 23,255,052 | 22,402,978 | -945,489 | -4.07 | -93,415 | -.42 |
| Loans on real estate | 15,169,786 | 14,505,113 | 13,713,325 | 664,673 | 4.58 | 1,456,461 | 10.62 |
| Loans to financial institutions | 4,249,564 | 1/ 836,884 | 1/ 266,478 | 3,412,680 | --- | 3,983,086 | -- |
| All other loans | 19,434,937 | 18,316,331 | 17,469,433 | 1,118,606 | 6.11 | 1,965,504 | 11.25 |
| Total gross loans | 61,163,850 | 56,913,380 | 53,852,214 | 4,250,470 | 7.47 | 7,311,636 | 13.58 |
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1/ Loans to banks only. Excludes loans to sales finance companies, mortgage companies and other real estate lenders which are included in commercial and industrial loans and loans to other financial institutions which are included in all other loans.

loans of $1,582,000,000 showed an increase of $214,000,000. Loans to brokers and dealers in securities and to others for the purpose of purchasing or carrying stocks, bonds, and other securities of $1,951,000,000 increased $150,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $11,380,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,202,000,000) to total assets on December 31, 1959 was 45.21 in comparison with 40.99 in December 1958.

Total investments of the banks in bonds, stocks, and other securities aggregated $42,653,000,000. Included in the investments were obligations of the United States Government of $31,761,000,000 ($37,000,000 of which were guaranteed obligations). These investments, representing 23.95 percent of total assets, were decreased by $4,064,000,000 during the year. Other bonds, stocks, and securities of $10,892,000,000, including $9,000,000,000 of obligations of States and other political subdivisions, showed a decrease of $71,000,000.

Cash of $1,521,000,000, reserves with Federal Reserve banks of $11,247,000,000, and balances with other banks (including cash items in process of collection) of $14,696,000,000 showed an increase of $599,000,000.

Bills payable and other liabilities for borrowed money of $340,000,000 showed an increase of $297,000,000 during the year.

Total capital funds of the banks on December 31, 1959 of $10,302,000,000, equal to 8.61 percent of total deposits, were $633,000,000 more than in December 1958 when they were 8.26 percent of total deposits. Included in the capital funds were capital stock of $3,170,000,000, of which $3,091,000 was preferred stock; surplus of $5,062,000,000; undivided profits of $1,814,000,000 and capital reserves of $256,000,000.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A. M. NEWSPAPERS,
Wednesday, March 23, 1960.

A-794

The total assets of the 4,542 active national banks in the United States and possessions on December 31, 1959 amounted to more than $132,600,000,000, it was announced today by Comptroller of the Currency Ray M. Gidney. The total assets showed an increase of $3,839,147,000 over the amount reported by the 4,585 banks on December 31, 1958.

The deposits of the banks on December 31, 1959 were $119,638,000,000, an increase of $2,552,000,000 during the year. Included in the deposit figures were demand deposits of individuals, partnerships, and corporations of $62,500,000,000, an increase of $711,000,000, and time deposits of individuals, partnerships, and corporations of $34,400,000,000, an increase of $1,771,000,000. Deposits of the United States Government of $2,936,000,000 increased $371,000,000; deposits of States and political subdivisions of nearly $8,470,000,000 increased $42,000,000; and deposits of banks of $9,500,000,000 showed a decrease of $349,000,000. Postal savings deposits were $9,042,000 and certified and cashiers' checks, etc. were $1,881,000,000.

Gross loans and discounts on December 31, 1959 of nearly $61,200,000,000 showed an increase of $7,312,000,000 during the year. Commercial and industrial loans amounted to $22,309,000,000 and indicated a decrease of $93,000,000 during the year. However, due to a reclassification of loans to other financial institutions during the year, the amounts of commercial and industrial loans and all other loans are not comparable with the figures reported for December 31, 1958. Loans on real estate of $15,170,000,000 increased $1,456,000,000. Loans to financial institutions, a new classification, amounted to $4,250,000,000. Retail automobile installment loans of $4,521,000,000 showed an increase of $715,000,000. Other types of retail installmen

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Cash of $1,521,000,000, reserves with Federal Reserve banks of $11,247,000,000, and balances with other banks (including cash items in process of collection) of $14,696,000,000 showed an increase of $599,000,000.

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Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1959, June 10, 1959 and December 31, 1958

(In thousands of dollars)

| | Dec. 31, 1959 | June 10, 1959 | Dec. 31, 1958 | Increase or decrease since June 10, 1959: Amount | Increase or decrease since June 10, 1959: Percent | Increase or decrease since Dec. 31, 1958: Amount | Increase or decrease since Dec. 31, 1958: Percent |
|---|---|---|---|---|---|---|---|
| Number of banks | 4,542 | 4,559 | 4,585 | -17 | | -43 | |
| ASSETS | | | | | | | |
| Commercial and industrial loans | 22,309,563 | 23,255,052 | 22,402,978 | -945,489 | -4.07 | -93,415 | -.42 |
| Loans on real estate | 15,169,786 | 14,505,113 | 13,713,325 | 664,673 | 4.58 | 1,456,461 | 10.62 |
| Loans to financial institutions | 4,249,564 | 1/ 836,884 | 1/ 266,478 | 3,412,680 | -- | 3,983,086 | -- |
| All other loans | 19,434,937 | 18,316,331 | 17,469,433 | 1,118,606 | 6.11 | 1,965,504 | 11.25 |
| Total gross loans | 61,163,850 | 56,913,380 | 53,852,214 | 4,250,470 | 7.47 | 7,311,636 | 13.58 |
| Less valuation reserves | 1,201,861 | 1,097,534 | 1,055,990 | 104,327 | 9.51 | 145,871 | 13.81 |
| Net loans | 59,961,989 | 55,815,846 | 52,796,224 | 4,146,143 | 7.43 | 7,165,765 | 13.57 |
| U. S. Government securities: | | | | | | | |
| Direct obligations | 31,723,878 | 33,147,723 | 35,821,327 | -1,423,845 | -4.30 | -4,097,449 | -11.44 |
| Obligations fully guaranteed | 37,092 | 4,604 | 3,433 | 32,488 | 705.65 | 33,659 | 980.45 |
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| Other bonds, notes and debentures | 1,553,557 | 1,650,551 | 1,836,523 | -96,994 | -5.88 | -282,966 | -15.41 |
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| Total securities | 42,652,855 | 44,166,424 | 46,788,224 | -1,513,569 | -3.43 | -4,135,369 | -8.84 |
| Total loans and securities | 102,614,844 | 99,982,270 | 99,584,448 | 2,632,574 | 2.63 | 3,030,396 | 3.04 |
| Currency and coin | 1,521,334 | 1,602,648 | 1,675,827 | -81,314 | -5.07 | -154,493 | -9.22 |
| Reserve with Federal Reserve banks | 11,247,162 | 11,022,453 | 11,139,573 | 224,709 | 2.04 | 107,589 | .97 |
| Balances with other banks | 14,695,749 | 11,209,402 | 14,049,420 | 3,486,347 | 31.10 | 646,329 | 4.60 |
| Total cash, balances with other banks, including reserve balances and cash items in process of collection | 27,464,245 | 23,834,503 | 26,864,820 | 3,629,742 | 15.23 | 599,425 | 2.23 |
| Other assets | 2,557,024 | 2,438,018 | 2,347,698 | 119,006 | 4.88 | 209,326 | 8.92 |
| Total assets | 132,636,113 | 126,254,791 | 128,796,966 | 6,381,322 | 5.05 | 3,839,147 | 2.98 |

1/ Loans to banks only. Excludes loans to sales finance companies, mortgage companies and other real estate lenders which are included in commercial and industrial loans and loans to other financial institutions which are included in all other loans.

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Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

| | Dec. 31, 1959 | June 10, 1959 | Dec. 31, 1958 | Increase or decrease since June 10, 1959: Amount | Increase or decrease since June 10, 1959: Percent | Increase or decrease since Dec. 31, 1958: Amount | Increase or decrease since Dec. 31, 1958: Percent |
|---|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | | |
| Deposits of individuals, partnerships, and corporations: | | | | | | | |
| Demand | 62,496,399 | 58,917,809 | 61,785,222 | 3,578,590 | 6.07 | 711,177 | 1.15 |
| Time | 34,385,356 | 33,779,747 | 32,614,707 | 605,609 | 1.79 | 1,770,649 | 5.43 |
| Deposits of U. S. Government | 2,936,037 | 1,755,388 | 2,565,032 | 1,180,649 | 67.26 | 371,005 | 14.46 |
| Postal savings deposits | 9,042 | 9,457 | 9,905 | -415 | -4.39 | -863 | -8.71 |
| Deposits of States and political subdivisions | 8,469,237 | 8,072,361 | 8,426,763 | 396,876 | 4.92 | 42,474 | .50 |
| Deposits of banks | 9,460,445 | 8,522,813 | 9,809,186 | 937,632 | 11.00 | -348,741 | -3.56 |
| Other deposits (certified and cashiers' checks, etc.) | 1,881,161 | 1,601,688 | 1,875,313 | 279,473 | 17.45 | 5,848 | .31 |
| Total deposits | 119,637,677 | 112,659,263 | 117,086,128 | 6,978,414 | 6.19 | 2,551,549 | 2.18 |
| Bills payable, rediscounts, and other liabilities for borrowed money | 340,362 | 1,419,817 | 43,035 | -1,079,455 | -76.03 | 297,327 | 690.90 |
| Other liabilities | 2,355,957 | 2,135,073 | 1,999,002 | 220,884 | 10.35 | 356,955 | 17.86 |
| Total liabilities, excluding capital accounts | 122,333,996 | 116,214,153 | 119,128,165 | 6,119,843 | 5.27 | 3,205,831 | 2.69 |
| CAPITAL ACCOUNTS | | | | | | | |
| Capital stock: | | | | | | | |
| Common | 3,166,651 | 3,075,784 | 2,947,787 | 90,867 | 2.95 | 218,864 | 7.42 |
| Preferred | 3,091 | 3,091 | 3,492 | -- | -- | -401 | -11.48 |
| Total | 3,169,742 | 3,078,875 | 2,951,279 | 90,867 | 2.95 | 218,463 | 7.40 |
| Surplus | 5,062,084 | 4,857,509 | 4,718,459 | 204,575 | 4.21 | 343,625 | 7.28 |
| Undivided profits | 1,814,637 | 1,843,558 | 1,711,435 | -28,921 | -1.57 | 103,202 | 6.03 |
| Reserves | 255,654 | 260,696 | 287,628 | -5,042 | -1.93 | -31,974 | -11.12 |
| Total surplus, profits and reserves | 7,132,375 | 6,961,763 | 6,717,522 | 170,612 | 2.45 | 414,853 | 6.18 |
| Total capital accounts | 10,302,117 | 10,040,638 | 9,668,801 | 261,479 | 2.60 | 633,316 | 6.55 |
| Total liabilities and capital accounts | 132,636,113 | 126,254,791 | 128,796,966 | 6,381,322 | 5.05 | 3,839,147 | 2.98 |
| RATIOS: | Percent | Percent | Percent | | | | |
| U.S.Gov't securities to total assets | 23.95 | 26.26 | 27.81 | | | | |
| Loans & discounts to total assets | 45.21 | 44.21 | 40.99 | | | | |
| Capital accounts to total deposits | 8.61 | 8.91 | 8.26 | | | | |

NOTE: Minus sign denotes decrease.

many millions of people. We believe that America's stake in world trade could also appropriately be called "The World's Stake in America's Trade." Our effort to improve our position is not, and need not be, a threat to a sound balance of payments position for other nations; it is rather a necessity for our continued close cooperation with them in building a stronger, freer and happier world.

~~Substitute for existing final paragraph of speech:~~

As you know, many other countries of the world are far more dependent upon their foreign trade than is the United States. For recent years our total imports have represented between 3 and 3 1/2% of our gross national product while exports have represented a little less than 4% of our ~~g.n.p.~~ G.N.P. GNP. A very modest increase in the percentage of domestic production sold in foreign markets would represent a substantial increase in export earnings.

We are not, accordingly, in the position some countries have found themselves in in the past. The British, you may recall, once popularized the slogan, "Export or die." The United States' objective in seeking to strengthn its balance of payments position is in many respects unique in world history. Our ability to purchase our import needs is not in jeopardy. Our gold reserves remain large and world confidence in the dollar remains strong.

We must make absolutely certain, however, that these facts continue to be true. For beyond our immediate need, America's stake in world trade lies in its determination to maintain America's position of world leadership; to preserve America's ability to strengthen the defensive shield of world freedom; and to assist in the more rapid growth of the less developed areas of the world -- thus helping in the realization of the deep aspirations for economic progress with freedom which inspire

The task of expanding exports will not be an easy one. The industrialized ~~countries of~~ Western European countries and Japan have reconstructed their industries in the postwar period and in the reconstruction have modernized plant and procedures and have adopted the most advanced techniques. Many of these countries at one time or another in the postwar period have instituted specific export drives aimed at world markets and with particular attention to the United States market. The fact that there are "abundant dollars" abroad does not mean that they can be had for the asking. Many individual United States industries and many individual firms have been working hard in foreign markets in recent years and realize the increasing strength of our foreign competitors. There are many other industries, some of them products of the postwar era, which, for one reason or another, have never tested the demand for their products in foreign markets. One of the principal purposes of the actions which the government is now undertaking is to help the inexperienced exporter to explore the potentialities of foreign markets.

~~Many other countries are far more dependent upon their foreign trade than is the United States. The British, for example, once popularized the slogan "Export or die." For us the slogan must be "Export and maintain America's position as a leader of nations."~~

see insert B. attached

In this connection we continue to feel that, in management of our public the Treasury should have greater flexibility and freedom arbitr restrict

On the fiscal front we are entering a period of greater strength than that of recent years. The President's budget for the fiscal year beginning in June calls for a $4 billion surplus in contrast to the large deficit experienced in fiscal 1959 and the approximate balance expected in fiscal 1960. A ~~flexible monetary policy will~~ The Federal Reserve will doubtless continue to ~~be used~~ act to prevent excessive credit expansion from creating major inflationary pressures. In addition, ~~E~~every effort must be made to insure that wage and price movements are consistent with increases in productivity.

With all the help which the government can appropriately give in this free economy of ours, the fact remains that private industry must deliver the goods if we are to improve our balance of payments position. I have spoken primarily of the need for an expansion of exports, both because that is the area in which I believe we can best tackle this problem and because it is an area of particular relevance to this Conference. On the import side I would not favor any artificial means of reducing our purchases from foreign suppliers but I would applaud every effort to increase our own efficiency to the end that domestic consumers find in domestic products increasing satisfaction of their needs and desires.

The December issue of Survey of Current Business listed ~~17~~ 16 selected groups of products representing finished manufactured goods which the United States both exports and imports. For ~~eleven~~ ten of these groups our net balance had deteriorated since 1956. ~~The general rule was that~~ In some instances imports had increased more rapidly than exports. In ~~some~~ other items exports had dropped while imports had increased. Many of the categories of goods shown were those in which we had long felt that this country had had an appreciable competitive and technological advantage.

In recent meetings in Washington of newly formed Development Assistance Group,



countries on ways to facilitate the mobilization of national resources for development assistance as well as the provision of such assistance to recipient countries in the most useful manner. This activity ties in somewhat with the adjustment in DLF policy which I mentioned previously. the United States ~~believes~~ expressed its hope that other industrialized countries ~~should~~ would accept an increasing share of responsibility for speeding the growth of the less developed areas of the world and that, in this connection, they ~~should be expected to~~ would supplement their contributions to the multilateral lending agencies by ~~also~~ making available an increased bilateral flow of long-term development lending.

There is ~~one more~~ another field of government responsibility which will have a vital effect upon our efforts to strengthen our balance of payments position. This is the task of preserving a stable, non-inflationary domestic economy. Without this the competitive ability of our manufacturers and exporters would be seriously prejudiced. Secretary Anderson says the following in his Foreign Affairs article:

> "There has been much concern of late as to the competitive position of our goods in world markets. An examination of price and wage trends and of changes in our share of world trade (especially in manufactures) does not provide clear evidence that the United States has priced itself out of world markets. However, there are examples which can be cited, on the other side; and there is ample indication of intensified competition in world markets and of increased world capacity to produce goods for export. What we can conclude is that the United States has little margin of competitive superiority. This means that we cannot risk any erosion in the stability of United States prices if American producers are to succeed in expanding their exports."

of a U. S. commercial bank under certain conditions. Two sets of prerequisites are proposed: One is that the commercial bank be prepared to finance for its own account, and without recourse to the exporter, the early installments on three to five-year credits; the second is that the commercial bank and the exporter, separately, are prepared to participate on their own accounts for a modest proportion of the credit throughout the life of the loan. Certain conditions will be set as to the appropriate size of the down payment made by the foreign buyer, other terms of the credit and the eligibility of markets. More detailed information on these new credit and guarantee mechanisms will be available in the very near future through the Export-Import Bank and through your own bankers.

Insert A.



The President's message referred also to a new policy of the Export-Import Bank. The details of this policy have been somewhat further elaborated in a press release put out by the Bank last Friday. I commend that press release to the attention of all of you. Not only does it explain two new types of service which the Bank will provide, but it reviews in a clear and succinct form types of credit and guarantee assistance which have long been available through the Bank; ~~but~~ you may find that some of these could be used more extensively than in the past.

The first of the new services which the Bank is offering will be a system of export guarantees covering political risks in short-term transactions where credits are not in excess of 180 days. The Bank's announcement says that the guarantees will be limited to political risks in order to encourage private capital to provide the necessary financing and the guarantees or insurance with respect to the normal commercial risks. The political risk guarantee contract covers the risk of non-transferability or non-convertibility of foreign currencies, losses resulting from the imposition of import restrictions or the cancellation of import permits and losses resulting directly from war, civil commotion and expropriation. Detailed guidance for the administration of this new service will shortly be issued by the Bank. It is expected that the plan will be in operation within the next two months with foreign departments of commercial banks acting as agencies for the Export-Import Bank in dealing with the exporter.

The second innovation announced by the Export-Import Bank relates to the field of medium-term credits. It represents a step for still closer cooperation of the Bank with the nation's commercial banks and the nation's exporters. The Export-Import Bank undertakes to participate in the financing of medium-term transactions in reliance upon the credit judgment into, strange currency devices were introduced to limit convertibility and to insure that each import would result in an equivalent export.

Fortunately the situation today bears no resemblance to that of the thirties. And we must make sure that the self-defeating weapons of the thirties are not called into use. World trade has been increasing from year to year. Near boom conditions exist in most of the industrialized nations. Vast requirements for industrial products characterize the less developed areas of the world and capital from public and private sources is helping to turn these requirements into effective demand.

The challenge then is for us to get a slightly increased share of a rising market. The task is primarily one which United States industry and the United States export community must undertake. What can the government do to help?

~~I am sure that all of you are familiar with~~ the statement which President Eisenhower sent to the Congress ~~released~~ last week concern~~ing~~ed ~~the~~ a number of steps which are ~~being~~ to be taken ~~already~~ within the government to strengthen the services of the Departments of State and Commerce and Agriculture to the American business man and exporter. Secretary of Commerce Mueller is to be your principal speaker at this evening's banquet. It would be impolite -- and probably impolitic as well -- for me to anticipate the elaboration of that message which I am sure Secretary Mueller will provide with reference to the very important role which his Department will play.

See insert A

~~A second portion of the President's message referred to the new policy of the Export-Import Bank with respect to insuring certain non-commercial risks which exporters must now carry for themselves.~~

To be expanded when prep release available.

Another activity in which your Government has recently been engaged is that of consulting with other industrialized and financially-strong

We must ask this question, but I am not sure we can answer it -- until we have really begun to compete! I would like to quote for you a couple of paragraphs from the ~~C.E.D.~~ study of the Committee for Economic Development which I mentioned earlier. It is a description in very broad terms of the relation of American industry to the foreign market in recent years. It shows what I mean when I suggest that we haven't really begun to compete.

> "During most of the postwar period the potential foreign market for United States products was limited by the small supply of dollars, and this potential market was assured to the United States by the inadequacy of alternative sources. Foreign entry into the American market was limited by low foreign production and high foreign costs. For most American industries there was little opportunity for gaining foreign markets by being more competitive and little danger of losing markets, at home or abroad, to foreign competitors.
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That quotation is followed by the understatement -- "All this has changed substantially and will change further."

It has been twenty years and more since United States industry has received a broad challenge to intensify its efforts to compete in world markets in order to strengthen the balance of payments position of this nation. Some of you will remember the period 25 to 30 years ago when nations all over the world faced sudden and drastic deterioration in their balances of payments and when the disorderly struggle for recovery led to what came to be called "beggar my neighbor" policies. Imports were restricted, tariffs were raised, bilateral trade agreements were entered demonstrate balance of payments problems and inadequate reserves. Last October, following a strong statement by the Secretary of the Treasury in the annual meetings of the IMF and IBRD, the IMF declared that balance of payments justification for discrimination against the dollar no longer exists and asked member countries to remove any remaining discrimination in a reasonable, but short, time. It is true that many countries had already reduced their discrimination prior to that time, but many discriminatory restrictions still remain. We will continue to press for removal of discrimination against United States goods until this practice ceases to be a factor retarding sales of our exports in the leading trading nations of the world.

This is one aspect of what "abundant dollars abroad" means; a negative factor is being removed in order that U. S. exporters may compete freely with exporters from other nations. I need not remind a group of export-minded executives that the removal of a barrier to competition does not, in and of itself, increase sales. Sales will be increased only by exploitation of the newly opened market. Every producer and sales manager who, in the past, has put aside the prospect of foreign sales because of the existence of discriminatory restrictions should now reexamine his position.

Just as the term "dollar shortage" could only refer to the relation between available dollars and the demand for U. S. goods and services, the term "abundance of dollars" also has meaning only in relation to the strength of foreign demand for U. S. products. We must ask ourselves whether the U. S. economy is fully competitive with the resurgent economies of Western Europe and Japan.

been decided that, particularly in financing the foreign exchange costs of development projects and programs, the DLF will place primary emphasis on the financing of goods and services of United States origin."

It is clear, however, that, barring drastic changes in the role which the United States ~~wishes~~ is prepared to play in world affairs, a major part of a satisfactory solution of our balance of payments problem must be found in an improvement of our current commercial accounts, an increase in the surplus we are able to realize from an excess of sales of goods and services over our purchases from other countries. Accordingly, a substantial part of our present need is a need to increase our exports. What are the prospects for such an increase?

As the general theme of this Conference, your program lists "Abundant dollars abroad-your share and where."

In that phrase "abundant dollars" lies a suggestion of a major change in the environment for U. S. exports in recent years.

It was not many years ago that the term "dollar shortage" was invariably heard in any meeting such as this. The proper interpretation of that phrase was that dollars were short relative to the strength of world demand for U. S. goods and services. Under these conditions foreign governments adopted various discriminatory measures to insure that dollars were conserved for expenditures judged to be in the national interest. Many United States products were effectively excluded from the markets of Western Europe and elsewhere.

These dollar restrictions were ~~in most cases consistent with provisions~~ tolerated in ~~the~~ certain provisions of the IMF and GATT which were designed for the "post-war transitional period" and which permitted discrimination by a country that could our economic assistance programs, and from our private and public capital flows ~~is~~ abroad is appropriate. Such examination is carried on continuously in so far as government operations are concerned.

You will recall certain policy changes which have been announced in recent months and which reflect this continuing review. For example, in the Mutual Security Bill of last year Congress changed the investment guarantee authority of ICA so that in the future ~~that agency~~ the investment guarantee program will concentrate on encouraging United States capital investment in the economically less developed areas of the world. Previously, guarantees were available to cover the risks of expropriation and non-convertibility of currencies on long-term investment anywhere in the world. Partly under the stimulus of this program, U. S. private investment in highly industrialized ~~xxxx~~ countries reached a peak in 1958. Such investment does not always carry with it the export of U. S. capital equipment or U. S. services. Dollars are frequently transferred abroad to local products and services ~~are frequently available to~~ which give concrete form to the investment project. On the other hand, investment flows to the less developed areas of the world do normally result in the export of goods and services from the United States and are to that extent less of a strain on the United States balance of payments. A more rapid rate of growth in the less developed countries is also consistent with our national aims. ~~x x~~

I might mention, also, the policy statement issued in October by the Development Loan Fund concerning that agency's procurement policy. That statement said "There is now a fair presumption that other industrialized countries which export capital goods to the less developed countries are in a financial position to provide long-term loans on reasonable terms to assist such countries in their development programs. It has therefore tarian methods are preaching that an acceptable rate of economic progress can only be obtained if the State assumes ~~the~~ complete responsibility and ~~the power~~ authority to direct all forms of economic activity; to make all investment decisions; to set prices; to control imports and exports; to determine wages; to direct labor to this task or that.

~~I think~~ It would ~~not~~ be inaccurate to say that all the advocates of such centralized methods are Communists. I think there may be sincere nationalists in many countries who do not recognize that the fabric of freedom in political, religious, and social life would not be strong enough to withstand the strain if economic freedom were snatched away. In any case such advocates of totalitarian methods ~~soon~~ frequently find themselves joined by the Communists, encouraged by them, supported by them, and sometimes supplanted by them. ~~A Communist loan or a Communist trade pact opens the door to increased influence from the totalitarian states.~~ When this happens, the dream of rapid economic progress may all too often be replaced by the reality of economic retrogression, social disruption, the eclipse of personal initiative, and the disappearance of personal freedom.

Under these circumstances, a decline in the ability of the United States -- one of the most richly endowed nations of the earth -- to provide a margin of production to assist its friends -- in defense and in economic growth -- cannot be viewed merely as a threat to our capacity for generosity; it must be viewed as a threat to our capacity for leadership of the free world and to the defense of our own security in both military and social terms.

I do not wish to suggest that our minds should be closed to any particular method for reducing our balance of payments deficits. Examination of the costs of and the benefits from our military expenditures, from

And that confidence, in turn, has meant that foreign countries ~~have been~~ are prepared to continue to hold much of their recent increase in gold and dollar reserves in the form of dollar deposits or liquid dollar investments in this country. ~~We have been able to borrow "short" as an offset to lending "long" with the result that gold outflow has been less than one-half of our total deficit.~~

However, I cannot accept the "balance of generosity" concept as a basis for our own appraisal of our balance of payments problem. True, the United States has been generous -- and the U. S. taxpayer has been generous -- in contributing, first, to the economic recovery of Europe and Japan; then to the strengthening of the defense posture of the Western world; and presently to the more rapid economic development of the less developed areas of the world.

But generosity merges rapidly into enlightened self-interest. I do not believe we would support and defend our military assistance program or our private capital investment abroad on the basis of generosity. There is far more to these items of foreign ~~expenditures~~ expenditure than generosity. There is a recognition of leadership and of the responsibilities of leadership. There is a recognition that the security of the United States is closely involved with the strength and security of our allies. There is appreciation of the vast requirements of the U. S. economy for imported goods.

There is awareness that a world struggle is presently being waged between advocates of freedom and advocates of totalitarian control. This battle is being waged on many fronts. One of the most important - and one which we would neglect at our peril - is the economic front.

In many of the less developed areas of the world advocates of totali-

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the annual deficit of 1958 or 1959. But to relate any of these figures to the deficit would be an exercise in simple arithmetic -- not in logic. One could equally well point out, for example, that U. S. merdhandise exports were more than $3 billion lower in 1959 than in 1957 or that U. S. merchandise imports were ~~nearly~~ ~~$2.5~~ $2.0 million higher in 1959 than in 1957. Simple arithmetic here shows a deterioration of more than $5 ~~$5.5~~ billion in our merchandise balance of payments as compared with 1957. I hasten to add that 1957, partly because of the Suez crisis, should not be regarded as a typical year.

The logical rather than the arithmetical approach to our balance of payments problem calls for us to look at the broad canvas of our national objectives, our national needs and our national ideals. It calls for us to appraise very carefully our position of leadership in the defense of the free world and our contributions, private and public, to the more rapid growth of the less developed countries of the world.

A distinguished visitor to this country recently commented that the U. S. balance of payments problem appeared to him to be "a problem of the balance of generosity." This was a gracious thing for a guest to say and we appreciate it. We appreciate even more the fact that he and other European experts recognize that our over-all deficit of the last two years is not evidence of a weakness of the U. S. dollar. The deficit has been less than the sum of our public and private capital outflow and the cost of our military and economic assistance to the rest of the world. In that recognition lies much of the world's confidence that the United States will be able to correct its balance of payments position in a reasonable time.

balance of payments of \$3.7 billion. In 1958 the deficit amounted to \$3.4 billion. In the two years together our balance of payments deficit exceeded \$7 billion dollars; this was offset by the sale of some \$3 billion in gold and by an increase of some \$4 billion in liquid dollar assets held by foreign claimants in the U. S.

Many of you know the background of this deficit. I would like to call your attention to Treasury Secretary Anderson's article "The Balance of Payments of the United States" in the Spring issue of <u>Foreign Affairs</u> which is being distributed today. The Committee for Economic Development has examined the same subject in its pamphlet -- "National Objectives and the Balance of Payments Problem." These and other discussions point out that the pattern of our balance of payments in the last decade has been one of a surplus on current <u>commercial</u> account but a surplus which was not sufficient (with the exception of 1957) to cover (1) U. S. private investments abroad, (2) U. S. government grants and loans and (3) U. S. military expenditures abroad.

The three categories of private and public expenditure which I have just mentioned averaged \$8.3 billion per year in the three years 1957-59 as follows:

| | | |
|---|---|---|
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"America's Stake in World Trade" 388

Mr. Chairman, Ladies and Gemtlemen:

It is both an honor and a pleasure for me to present the keynote speech for your convention which opens today. The keynote I will sound will be that the United States is facing a new and pressing problem in its international economic relations and that the experience, skill, hard work and leadership of members of this conference and of industrialists and exporters throughout the country must make a major contribution to solution of this problem. I hope that when this conference is over you will have given these propositions not only intellectual acceptance but your vigorous and enthusiastic support.

The next two speakers are scheduled to examine "Labor's Stake in World Trade" and "Management's Stake in World Trade". As keynote speaker, I would like to ask you to think in still broader terms -- of "America's Stake in World Trade".

The pressing national problem I wish to discuss with you is that of strengthening the balance of payments position of the United States. I shall be referring more than once to the message President Eisenhower sent to the Congress last Friday. It began with the words "Because increased exports are important to the United States at this time, the Administration has developed a program to promote the growth of our export trade."

Probably few audiences could be found in this country more competent than this one to understand -- in all its complexity -- the course of recent development of the United States balance of payments position. I do not intend to examine the complexities, but only to touch upon the broad outline.

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~~Hold for Release on Delivery~~

~~ADDRESS~~ Remarks BY T. GRAYDON UPTON, ASSISTANT SECRETARY OF THE TREASURY, AT THE 43rd ANNUAL CONVENTION OF THE INTERNATIONAL EXECUTIVES ASSOCIATION, INC., Hotel Statler Hilton, NEW YORK CITY, TUESDAY, MARCH 22, 1960, about 10.00 a.m. EST

A-117

TREASURY DEPARTMENT
Washington



HOLD FOR RELEASE ON DELIVERY

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The logical rather than the arithmetical approach to our balance of payments problem calls for us to look at the broad canvas of our national objectives, our national needs and our national ideals. It calls for us to appraise very carefully our position of leadership in the defense of the free world and our contributions, private and public, to the more rapid growth of the less developed countries of the world.

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However, I cannot accept the "balance of generosity" concept as a basis for our own appraisal of our balance of payments problem. True, the United States has been generous -- and the United States taxpayer has been generous -- in contributing, first, to the economic recovery of Europe and Japan; then to the strengthening of the defense posture of the Western world; and presently to the more rapid economic development of the less developed areas of the world.

But generosity merges rapidly into enlightened self-interest. I do not believe we would support and defend our military assistance program or our private capital investment abroad on the basis of generosity. There is far more to these items of foreign expenditure than generosity. There is a recognition of leadership and of the responsibilities of leadership. There is a recognition that the security of the United States is closely involved with the strength and security of our allies. There is appreciation of the vast requirements of the United States economy for imported goods.

There is awareness that a world struggle is presently being waged between advocates of freedom and advocates of totalitarian control. This battle is being waged on many fronts. One of the most important -- and one which we would neglect at our peril -- is the economic front.

In many of the less developed areas of the world advocates of totalitarian methods are preaching that an acceptable rate of economic progress can only be obtained if the State assumes complete responsibility and authority to direct all forms of economic activity; to make all investment decisions; to set prices; to control imports and exports; to determine wages; to direct labor to this task or that.

It would be inaccurate to say that all the advocates of such centralized methods are Communists. I think there may be sincere nationalists in many countries who do not recognize that the fabric of freedom in political, religious, and social life would not be strong enough to withstand the strain if economic freedom were snatched away. In any case such advocates of totalitarian methods frequently find themselves joined by the Communists, encouraged by them, supported by them, and sometimes supplanted by them. When this happens, the dream of rapid economic progress may all too often be replaced by the reality of economic retrogression, social disruption, the eclipse of personal initiative, and the disappearance of personal freedom.

Under these circumstances, a decline in the ability of the United States -- one of the most richly endowed nations of the earth -- to provide a margin of production to assist its friends -- in defense and in economic growth -- cannot be viewed merely as a threat to our capacity for generosity; it must be viewed as a threat to our capacity for leadership of the free world and to the defense of our own security in both military and social terms.

I do not wish to suggest that our minds should be closed to any particular method for reducing our balance of payments deficits. Examination of the costs of and the benefits from our military expenditures, from our economic assistance programs, and from our private and public capital flows abroad is appropriate. Such examination is carried on continuously in so far as government operations are concerned.

You will recall certain policy changes which have been announced in recent months and which reflect this continuing review. For example, in the Mutual Security Bill of last year Congress changed the investment guarantee authority of ICA so that in the future the investment guarantee program will concentrate on encouraging United States capital investment in the economically less developed areas of the world. Previously, guarantees were available to cover the risks of expropriation and non-convertibility of currencies on long-term investment anywhere in the world. Partly under the stimulus of this program, United States private investment in highly industrialized countries reached a peak in 1958. Such investment does not always carry with it the export of United States capital equipment or United States services. Dollars are frequently transferred abroad to buy local products and services which give concrete form to the investment project. On the other hand, investment flows to the less developed areas of the world do normally result in the export of goods and services from the United States and are to that extent less of a strain on the United States balance of payments. A more rapid rate of growth in the less developed countries is also consistent with our national aims.

I might mention, also, the policy statement issued in October by the Development Loan Fund concerning that agency's procurement policy. That statement said "There is now a fair presumption that other industrialized countries which export capital goods to the less developed countries are in a financial position to provide long-term loans on reasonable terms to assist such countries in their development programs. It has therefore been decided that, particularly in financing the foreign exchange costs of development projects and programs, the Development Loan Fund will place primary emphasis on the financing of goods and services of United States origin."

It is clear, however, that, barring drastic changes in the role which the United States is prepared to play in world affairs, a major part of a satisfactory solution of our balance of payments problem must be found in an improvement of our current commercial accounts, an increase in the surplus we are able to realize from an excess of sales of goods and services over our purchases from other countries. Accordingly, a substantial part of our present need is a need to increase our exports. What are the prospects for such an increase?

As the general theme of this Conference, your program lists "Abundant Dollars Abroad-Your Share and Where." In that phrase "abundant dollars" lies a suggestion of a major change in the environment for United States exports in recent years.

It was not many years ago that the term "dollar shortage" was invariably heard in any meeting such as this. The proper interpretation of that phrase was that dollars were short <u>relative to</u> the strength of world demand for United States goods and services. Under these conditions foreign governments adopted various discriminatory measures to insure that dollars were conserved for expenditures judged to be in the national interest. Many United States products were effectively excluded from the markets of Western Europe and elsewhere.

These dollar restrictions were tolerated in certain provisions of the IMF and GATT which were designed for the "post-war transitional period" and which permitted discrimination by a country that could demonstrate balance of payments problems and inadequate reserves. Last October, following a strong statement by the Secretary of the Treasury in the annual meetings of the IMF and IBRD, the IMF declared that balance of payments justification for discrimination against the dollar no longer exists and asked member countries to remove any remaining discrimination in a reasonable, but short, time. It is true that many countries had already reduced their discrimination prior to that time, but many discriminatory restrictions still remain. We will continue to press for removal of discrimination against United States goods until this practice ceases to be a factor retarding sales of our exports in the leading trading nations of the world.

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We must ask this question, but I am not sure we can answer it -- until we have really begun to compete! I would like to quote for you a couple of paragraphs from the study of the Committee for Economic Development which I mentioned earlier. It is a description in very broad terms of the relation of American industry to the foreign market in recent years. It shows what I mean when I suggest that we haven't really begun to compete.

> "During most of the postwar period the potential foreign market for United States products was limited by the small supply of dollars, and this potential market was assured to the United States by the inadequacy of alternative sources. Foreign entry into the American market was limited by low foreign production and high foreign costs. For most American industries there was little opportunity for gaining foreign markets by being more competitive and little danger of losing markets, at home or abroad, to foreign competitors.
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Fortunately the situation today bears no resemblance to that of the thirties. And we must make sure that the self-defeating weapons of the thirties are not called into use. World trade has been increasing from year to year. Near boom conditions exist in most of the industrialized nations. Vast requirements for industrial products characterize the less developed areas of the world and capital from public and private sources is helping to turn these requirements into effective demand.

The challenge then is for us to get a slightly increased share of a rising market. The task is primarily one which United States industry and the United States export community must undertake. What can the government do to help?

The statement which President Eisenhower sent to the Congress last week concerned a number of steps which are to be taken within the government to strengthen the services of the Departments of State and Commerce and Agriculture to the American business man and exporter. Secretary of Commerce Mueller is to be your principal speaker at this evening's banquet. It would be impolite -- and probably impolitic as well -- for me to anticipate the elaboration of that message which I am sure Secretary Mueller will provide with reference to the very important role which his Department will play.

The President's message referred also to a new policy of the Export-Import Bank. The details of this policy have been somewhat further elaborated in a press release put out by the Bank last Friday. I commend that press release to the attention of all of you. Not only does it explain two new types of service which the Bank will provide, but it reviews in a clear and succinct form types of credit and guarantee assistance which have long been available through the Bank; you may find that some of these could be used more extensively than in the past.

The first of the new services which the Bank is offering will be a system of export guarantees covering political risks in short-term transactions where credits are not in excess of 180 days. The Bank's announcement says that the guarantees will be limited to political risks in order to encourage private capital to provide the necessary financing and the guarantees or insurance with respect to the normal commercial risks. The political risk guarantee contract covers the risk of non-transferability or non-convertibility of foreign currencies, losses resulting from the imposition of import restrictions or the cancellation of import permits and losses resulting directly from war, civil commotion and expropriation. Detailed guidance for the administration of this new service will shortly be issued by the Bank. It is expected that the plan will be in operation within the next two months with foreign departments of commercial banks acting as agencies for the Export-Import Bank in dealing with the exporter.

The second innovation announced by the Export-Import Bank relates to the field of medium-term credits. It represents a step for still closer cooperation of the Bank with the nation's commercial banks and the nation's exporters. The Export-Import Bank undertakes to participate in the financing of medium-term transactions in reliance upon the credit judgment of a United States commercial bank under certain conditions. Two sets of prerequisites are proposed: One is that the commercial bank be prepared to finance for its own account, and without recourse to the exporter, the early installments on three to five-year credits; the second is that the commercial bank and the exporter, separately, are prepared to participate on their own accounts for a modest proportion of the credit throughout the life of the loan. Certain conditions will be set as to the appropriate size of the down payment made by the foreign buyer, other terms of the credit and the eligibility of markets. More detailed information on these new credit and guarantee mechanisms will be available in the very near future through the Export-Import Bank and through your own bankers.

Another activity in which your Government has recently been engaged is that of consulting with other industrialized and financially-strong countries on ways to facilitate the mobilization of national resources for development assistance as well as the provision of such assistance to recipient countries in the most useful manner. This activity ties in somewhat with the adjustment in DLF policy which I mentioned previously. In recent meetings in Washington of the newly formed Development Assistance Group, the United States expressed its hope that other industrialized countries would accept an increasing share of responsibility for speeding the growth of the less developed areas of the world and that, in this connection, they would supplement their contributions to the multilateral lending agencies by making available an increased bilateral flow of long-term development lending.

There is another field of government responsibility which will have a vital effect upon our efforts to strengthen our balance of payments position. This is the task of preserving a stable, non-inflationary domestic economy. Without this the competitive ability of our manufacturers and exporters would be seriously prejudiced. Secretary Anderson says the following in his Foreign Affairs article:

"There has been much concern of late as to the competitive position of our goods in world markets. An examination of price and wage trends and of changes in our share of world trade (especially in manufactures) does not provide clear evidence that the United States has priced itself out of world markets. However, there are examples which can be cited, on the other side; and there is ample indication of intensified competition in world markets and of increased world capacity to produce goods for export. What we can conclude is that the United States has little margin of competitive superiority. This means that we cannot risk any erosion in the stability of United States prices if American producers are to succeed in expanding their exports."

On the fiscal front we are entering a period of greater strength than that of recent years. The President's budget for the fiscal year beginning in June calls for a $4 billion surplus in contrast to the large deficit experienced in fiscal 1959 and the approximate balance expected in fiscal 1960. The Federal Reserve will doubtless continue to seek to prevent excessive credit expansion from creating major inflationary pressures. In this connection we continue to feel that, in the management of our public debt, the Treasury should have greater flexibility and freedom from arbitrary restrictions. In addition, every effort must be made to insure that wage and price movements are consistent with increases in productivity.

With all the help which the government can appropriately give in this free economy of ours, the fact remains that private industry must deliver the goods if we are to improve our balance of payments position. I have spoken primarily of the need for an expansion of exports, both because that is the area in which I believe we can best tackle this problem and because it is an area of particular relevance to this Conference. On the import side I would not favor any artificial means of reducing our purchases from foreign suppliers but I would applaud every effort to increase our own efficiency to the end that domestic consumers find in domestic products increasing satisfaction of their needs and desires.

The December issue of Survey of Current Business listed 16 selected groups of products representing finished manufactured goods which the United States both exports and imports. For ten of these groups our net balance had deteriorated since 1956. In some instances imports had increased more rapidly than exports. In other items exports had dropped while imports had increased. Many of the categories of goods shown were those in which we had long felt that this country had had an appreciable competitive and technological advantage.

The task of expanding exports will not be an easy one. The industrialized Western European countries and Japan have reconstructed their industries in the postwar period and in the reconstruction have modernized plant and procedures and have adopted the most advanced techniques. Many of these countries at one time or another in the postwar period have instituted specific export drives aimed at world markets and with particular attention to the United States market.

The fact that there are "abundant dollars" abroad does not mean that they can be had for the asking. Many individual United States industries and many individual firms have been working hard in foreign markets in recent years and realize the increasing strength of our foreign competitors. There are many other industries, some of them products of the postwar era, which, for one reason or another, have never tested the demand for their products in foreign markets. One of the principal purposes of the actions which the government is now undertaking is to help the inexperienced exporter to explore the potentialities of foreign markets.

As you know, many other countries of the world are far more dependent upon their foreign trade than is the United States. For recent years our total imports have represented between 3 and 3-1/2% of our gross national product while exports have represented a little less than 4% of our GNP. A very modest increase in the percentage of domestic production sold in foreign markets would represent a substantial increase in export earnings.

We are not, accordingly, in the position some countries have found themselves in in the past. The British, you may recall, once popularized the slogan, "Export or die." The United States' objective in seeking to strengthen its balance of payments position is in many respects unique in world history. Our ability to purchase our import needs is not in jeopardy. Our gold reserves remain large and world confidence in the dollar remains strong.

We must make absolutely certain, however, that these facts continue to be true. For beyond our immediate need, America's stake in world trade lies in its determination to maintain America's position of world leadership to preserve America's ability to strengthen the defensive shield of world freedom; and to assist in the more rapid growth of the less developed areas of the world -- thus helping in the realization of the deep aspirations for economic progress with freedom which inspire many millions of people. We believe that America's stake in world trade could also appropriately be called "The World's Stake in America's Trade." Our effort to improve our position is not, and need not be, a threat to a sound balance of payments position for other nations; it is rather a necessity for our continued close cooperation with them in building a stronger, freer and happier world.

oOo

## II. Enforcement Actions

1. The Internal Revenue Service has in progress an expanded program for checking information Forms 1099 (the reports received from payers of dividends and interest) against the returns of individual taxpayers.

Under the new and expanded matching program, matching of 1099's against the returns of individual taxpayers is now going on in every one of the 61 IRS districts throughout the nation. A vigorous follow-up audit will be made of any discrepancy revealed. Criminal prosecution will be recommended in flagrant cases.

2. In addition to the nationwide matching program, Commissioner Latham has expedited the investigation of existing fraud cases involving dividends and interest.

3. In all routine audits greater emphasis will be placed on checking dividend and interest items.

4. As a part of the enforcement program, the Department of Justice has agreed that dividend and interest cases fall into the category of cases which should be given special attention.

Accordingly, plans for vigorous enforcement are under way, and a substantial number of cases are being prosecuted at the present time charging wilfull omission of dividend and interest income from tax returns. More than 200 such cases are now in various stages of investigation or prosecution, including more than a score in which indictments or convictions have already been obtained. Fourteen recent convictions in such cases have resulted in the imposition of periods of imprisonment, and fines ranging up to $20,000.

(BACK)

## COST OF SERIES E BONDS

| *Face amount* | *Issue cost* | *Face amount* | *Issue cost* |
|---|---|---|---|
| $25.00 | $18.75 | $500.00 | $375.00 |
| 50.00 | 37.50 | 1,000.00 | 750.00 |
| 100.00 | 75.00 | 10,000.00 | 7,500.00 |
| 200.00 | 150.00 | | |

## INTEREST COMPUTATION

Date bond(s) redeemed ______________________________

1. Total amount received .................................................... $______
2. Total cost of bonds.......................................................... ______
3. Interest* (Line 1 less line 2) ............................................ $______

*NOTE.—Make the above record EACH time you redeem bonds and total the "Interest" items at the end of the year. This total must be reported on your U.S. income tax return. However, if you have been reporting interest from Series E Bonds as it accrued each year, you need report only that portion of the interest not previously reported.

*This form is supplied for the convenience of the taxpayer*

GPO : 1960—O—538414

Twenty million copies of this notice have been printed and distributed to the District Directors' Offices throughout the country.

A memorandum from Commissioner Latham to the 22,591 paying agents for Series E Savings Bonds has been distributed through the Federal Reserve System. (See copy of the Commissioner's memorandum attached hereto).

All paying agents for Series E Savings Bonds have been requested to give persons cashing bonds on which interest has accrued a slip reminding them of the taxability of this interest. On the reverse side of this slip there are spaces in which the amount of interest and the date of payment may be inserted as a tax reminder.

E. The Internal Revenue Service has instructed personnel in field offices engaged in auditing returns or in assisting taxpayers in filling out their returns to check specifically about dividend and interest income.

The Credit Union National Association also printed its own slip and while they are unable to tell the exact number of slips distributed, they are confident that a majority of their 10 million members have been reached either through these slips or through other forms of notification.

The National Association of Investment Companies advised that the holders of the more than 4 million shareholder accounts of management investment companies which are members of the Association have received complete tax information with respect to dividends paid to them by these companies including explicit information concerning the tax nature of the distributions to them and their obligations with respect thereto.

The reminder slips mentioned above are in addition to the 42 million copies of Form 5219 distributed by the IRS. Even these figures are too low, however, since many dividend payers seem to have handled the notification by adding a special message on the dividend enclosure slip printed by the individual company. The dividend enclosure slip contains, in addition to the special message, the dates and amounts of dividends paid out during the year.

D. Document 5244, Savings Bond Interest Income Tax Reminder Notice

IRS prepared the following notice (Document 5244) concerning the taxability of Savings Bond interest:

(FACE)

## FEDERAL INCOME TAX INFORMATION

You have just cashed a United States Savings Bond, Series E. The difference between the amount you originally paid and the amount you have just received is interest which is subject to Federal income tax. If you are required to file a tax return, you must include the interest you received as part of your gross income.

For most taxpayers, this will require the interest to be included in the year in which payment is received. A few taxpayers have elected to report interest on U.S. Savings Bonds each year. If you are one of these few, then you would include in the year of surrender of the bond only the amount not previously reported.

The schedule on the reverse side will assist you in keeping a record of the reportable bond interest for income tax purposes.

*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE

Document No. 5244 (1-60)

The Revenue Service requested that copies of this notice or similar notices prepared by payers of dividends and interest be sent to dividend and interest recipients. It was suggested that this notice might be sent with a dividend check or an interest payment or included in some other regular mailing during the December 1959-March 1960 period; or handed out to the recipient where this is more convenient (e.g., in the case of savings accounts when the depositor presents his pass book for the crediting of interest).

In this regard it is obvious that the possibilities for use of these notices by dividend paying institutions such as corporations which make regular mailings, would be far greater than for other types of organizations.

Some 42 million copies of Document 5219 were requisitioned by dividend and interest payers. In addition, many payers printed reminder slips similar in purpose to Document 5219. All cooperating associations urged member institutions to distribute these or similar slips developed by the individual member institutions. Some indication of the effectiveness of this program may be derived from the following examples:

The United States Savings and Loan League printed a special slip of this type and made it available to member institutions without charge except for packaging and mailing expenses. In response, 3,303 member institutions requested 13,904,800 of these forms.

The National League of Insured Savings Associations reported that their members distributed nearly 10 million slips. Some of these were reminder notices printed by the Washington office of the League, while others were printed by individual members of the League.

The National Association of Mutual Savings Banks advised that it has printed and sent to its members 6 million reminder slips. In addition, an unknown number of its largest member banks have printed their own slips.

The American Bankers Association reported that almost all of its members have sent out either Form 5219 or a form developed by the Association itself. Their New York office has furnished members with 2-1/2 million copies of the ABA form and it estimates that many times this figure was printed locally for individual banks.

The New York Stock Exchange reported that companies representing 10 million shareholders are cooperating in mailing either IRS Form 5219 or a similar notice to their shareholders.

B. Filing Period Publicity

The IRS developed for use during the filing period publicity material concerning tax requirements for dividends and interest. It includes:

(1) A number of press releases, radio and television spots, question and answer transcripts, and other similar materials emphasizing dividends and interest. This material will be available to all IRS field offices for placement with local news media (newspapers, radio stations, TV stations, industrial house organs, etc.);

(2) Articles in many national and local magazines on the dividends and interest program;

(3) An article on dividends and interest income for inclusion this year in the annual tax information series run by the major news services which appear in 3,200 newspapers across the nation;

(4) A number of speeches and interviews by Commissioner Latham and Under Secretary Scribner which emphasized the dividend and interest programs;

(5) Numerous interviews and statements by other IRS officials dealing in whole or in part with the dividend and interest program;

(6) Five major Revenue Service press releases issued to news media on various aspects of the dividend and interest program. (See copies of releases attached hereto).

C. Document 5219, Income Tax Reminder Notice

The Internal Revenue Service prepared the following notice (Document 5219) concerning the taxability of interest and dividends:

# TO ALL TAXPAYERS

Interest and dividends, whether paid to you or credited to your account, must be included in your U.S. income tax return. Accuracy in reporting such amounts, even if small, will benefit both the recipient and the Government, and will avoid expensive enforcement action that might otherwise be necessary.

*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE DOCUMENT NO. 5219

U.S. GOVERNMENT PRINTING OFFICE : 1959 O—531350

REPORT OF STEPS TAKEN IN COOPERATIVE PROGRAM TO BRING HOME TO ALL TAXPAYERS THE LEGAL REQUIREMENTS COVERING THE REPORTING OF DIVIDENDS AND INTEREST RECEIVED OR CREDITED

## I. Treasury and Revenue Service Action

### A. Changes in Tax Forms

A number of changes were made in tax forms and instructions in order to emphasize the requirements concerning the reporting of dividend and interest income. Among these were:

(1) On Form 1040A, the simplified card form, the item formerly designated "Other Income" has been changed on the 1959 return to read "INTEREST, DIVIDENDS, AND OTHER WAGES."

(2) The Form 1040A instructions were revised to stress the reporting requirements with respect to dividend and interest income.

(3) On Form 1040, the words "dividends and interest" on line 10 have been printed in boldface type. Schedule B on page 3 titled "INCOME FROM INTEREST" has been expanded to read "INCOME FROM INTEREST (This includes interest credited to your account)."

(4) The instructions for page 3 of Form 1040 have been reworded to highlight and explain more fully the reporting requirements with respect to dividend and interest income.

(5) On the new Form 1040W, a shortened version of Form 1040, dividends and interest are given specific lines and the accompanying instructions call attention to these items.

(6) A special message from the Commissioner to corporate payers of dividends and interest was printed on the back cover of the corporate tax package containing Form 1120 and instruction sheet. This message requested the payers of dividends and interest to undertake certain actions set forth designed to bring to the attention of all dividend and interest recipients the legal requirements relating to the reporting on individual income tax returns of dividend and interest income received or credited. A copy of the statement is attached hereto.

March 21, 1960

Dear Co....

For your information, I enclose herewith an interim report setting forth steps taken by the Revenue Service and the payers of dividends and interest to secure a more complete reporting by taxpayers of dividends and interest received or credited.

In the current program most helpful cooperation has been received from many corporations and individuals paying interest and dividends.

More than 75 million special notices have been mailed in the last several weeks to recipients of dividends and interest. These distributions have been supplemented by a coordinated information campaign using newspapers, magazines, radio and television. These educational programs are producing most helpful results.

Several enforcement actions have also been taken by the Service, as reported on page 6 of the enclosure.

A new and expanding matching program -- matching 1099's against the returns of individual taxpayers -- is now being carried out in each of the 61 Revenue districts throughout the country.

The Justice Department is also giving special attention to dividend and interest cases. More than 200 such cases are now in various stages of investigation or prosecution. There are more than a score of cases in which indictments or convictions have already been obtained. Fourteen recent convictions in such cases resulted in the imposition of sentences of imprisonment and fines ranging up to $20 thousand.

We will keep you informed of further developments in the continuing programs in this area.

Sincerely yours,

Fred C. Scribner, Jr.

Under Secretary of the Treasury

Mr. Colin F. ....
Chief of Staff
Joint Committee on Internal Revenue ........
Room 1011 House Office Building
Washington 25, D.C.

Enclosure

IMMEDIATE RELEASE
Wednesday, March 23, 1960 A-796

The following identical letter has been sent to the Chairmen and ranking Minority members of the Senate Finance Committee and the House Ways and Means Committee:

March 21, 1960

Dear

For your information, I enclose

# TREASURY DEPARTMENT

400

WASHINGTON, D.C.

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A-796

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/s/ Fred C. Scribner, Jr.
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Under Secretary of the Treasury

# REPORT OF STEPS TAKEN IN COOPERATIVE PROGRAM TO BRING HOME TO ALL TAXPAYERS THE LEGAL REQUIREMENTS COVERING THE REPORTING OF DIVIDENDS AND INTEREST RECEIVED OR CREDITED

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The IRS developed for use during the filing period publicity material concerning tax requirements for dividends and interest. It includes:

(1) A number of press releases, radio and television spots, question and answer transcripts, and other similar materials emphasizing dividends and interest. This material will be available to all IRS field offices for placement with local news media (newspapers, radio stations, TV stations, industrial house organs, etc.);

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*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE DOCUMENT NO. 5219

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D. <u>Document 5244, Savings Bond Interest Income Tax Reminder Notice</u>

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(FACE)

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You have just cashed a United States Savings Bond, Series E. The difference between the amount you originally paid and the amount you have just received is interest which is subject to Federal income tax. If you are required to file a tax return, you must include the interest you received as part of your gross income.

For most taxpayers, this will require the interest to be included in the year in which payment is received. A few taxpayers have elected to report interest on U.S. Savings Bonds each year. If you are one of these few, then you would include in the year of surrender of the bond only the amount not previously reported.

The schedule on the reverse side will assist you in keeping a record of the reportable bond interest for income tax purposes.

*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE                                Document No. 5244 (1-60)

(BACK)

## COST OF SERIES E BONDS

| *Face amount* | *Issue cost* | *Face amount* | *Issue cost* |
|---|---|---|---|
| $25.00 | $18.75 | $500.00 | $375.00 |
| 50.00 | 37.50 | 1,000.00 | 750.00 |
| 100.00 | 75.00 | 10,000.00 | 7,500.00 |
| 200.00 | 150.00 | | |

## INTEREST COMPUTATION

Date bond(s) redeemed ______________________________

1. Total amount received ........................................ $______________
2. Total cost of bonds ........................................ ______________
3. Interest* (Line 1 less line 2) ........................................ $______________

*NOTE.—Make the above record EACH time you redeem bonds and total the "Interest" items at the end of the year. This total must be reported on your U.S. income tax return. However, if you have been reporting interest from Series E Bonds as it accrued each year, you need report only that portion of the interest not previously reported.

*This form is supplied for the convenience of the taxpayer*

Twenty million copies of this notice have been printed and distributed to the District Directors' Offices throughout the country.

A memorandum from Commissioner Latham to the 22,591 paying agents for Series E Savings Bonds has been distributed through the Federal Reserve System. (See copy of the Commissioner's memorandum attached hereto).

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2. In addition to the nationwide matching program, Commissioner Latham has expedited the investigation of existing fraud cases involving dividends and interest.

3. In all routine audits greater emphasis will be placed on checking dividend and interest items.

4. As a part of the enforcement program, the Department of Justice has agreed that dividend and interest cases fall into the category of cases which should be given special attention.

Accordingly, plans for vigorous enforcement are under way, and a substantial number of cases are being prosecuted at the present time charging wilfull omission of dividend and interest income from tax returns. More than 200 such cases are now in various stages of investigation or prosecution, including more than a score in which indictments or convictions have already been obtained. Fourteen recent convictions in such cases have resulted in the imposition of periods of imprisonment, and fines ranging up to $20,000.

*A special message to corporate payers of*

# DIVIDENDS and INTEREST—



STUDIES recently conducted by both the Internal Revenue Service and independent research groups have shown that a significant portion of the total taxable dividends and interest paid each year to individuals is not being reported on individual income tax returns.

It is believed that much of this failure to report is the result of misunderstanding of the law or oversight due to inadequate records. Consequently, it is important for the payer of the income to advise the recipients of the amounts paid or credited, their taxable nature, and the necessity of full and complete reporting.

As you know, payers of interest in excess of $600 and dividends in excess of $10 are required to report these payments to the Internal Revenue Service on Form 1099. The giving of a copy of each such form to the income recipient would be the most effective way to remind taxpayers of their obligations and to assist them in keeping adequate records. Furthermore, in the case of *interest* payments between $10 and $600 where no Form 1099 is required, we recommend that payers complete the form but send it to the taxpayer instead of to the Internal Revenue Service.

In the event that it is not feasible to comply with this recommendation, we suggest sending a year-end notice to shareholders and depositors which will indicate that:

(1) Interest and dividends either paid to the taxpayer or credited to his account are reportable on the taxpayer's individual tax return;

(2) In the case of dividends, show the per share payment record for 1959;

(3) Indicate that most of such payments have to be reported by you to the Internal Revenue Service on Form 1099;

(4) Point out that (in the case of dividends) there are certain exclusions and credits; and

(5) Suggest that the notice be retained for use in preparing the individual's tax return.

As a further aid in this program, we have prepared an insert notice (Document 5219), shown below, which can be requisitioned from the District Director of Internal Revenue or you may reproduce it, whichever is more convenient.

Regardless of the notice or combination of notices used, the material should be distributed during the period January–March, 1960, when it will be most effective in connection with the individual income tax filing period. A separate mailing would probably achieve the best results, but the material could be inserted in any regular distribution that you might be making during this period.

Obviously, we are, at the present, concerned with providing the taxpayer with a reminder record for 1959. However, to be of continuing value, the same program must be pursued during 1960 and subsequent years.

We sincerely solicit your cooperation in this voluntary program which we feel to be of vital importance.

Dana Latham

*Commissioner.*

☆ ☆ ☆

(Specimen of Insert Notice—Document No. 5219)

## TO ALL TAXPAYERS

Interest and dividends, whether paid to you or credited to your account, must be included in your U.S. income tax return. Accuracy in reporting such amounts, even if small, will benefit both the recipient and the Government, and will avoid expensive enforcement action that might otherwise be necessary.

*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE DOCUMENT NO. 5219

U.S. TREASURY DEPARTMENT
408 INTERNAL REVENUE SERVICE
PUBLIC INFORMATION DIVISION
STerling 3-8400 • Ext. 4021

# news release

FOR RELEASE
Thursday Afternoon Papers
December 10, 1959

IR-317

Dana Latham, U.S. Commissioner of Internal Revenue, today announced a two-pronged program to close a $5 billion gap between the amount of interest and dividends paid to taxpayers and the amount they report on their Federal income tax returns.

Mr. Latham said the primary effort will be a nation-wide educational program to acquaint taxpayers with the legal requirements for reporting all dividends and interest received in any one year.

The second phase, he said, will be a closer IRS check of tax returns for interest and dividend items.

The Commissioner explained that recent studies conducted independently by IRS and private research groups revealed the $5 billion gap between the amount of interest and dividends paid out each year and that reported on individual income tax returns.

This gap represents an approximate tax loss of half-billion dollars annually.

The studies show, he said, that much of the failure to report all interest and dividends received is the result of misunderstanding of the law or oversight due to inadequate records.

For that reason, he continued, IRS will launch an extensive educational program beginning in January 1960 on the legal requirements for reporting all dividends and interest received or credited.

(more)

As part of this program, the new 1959 individual Federal income tax returns and the instructions for them, which will be mailed after the Christmas holidays, will spell out more carefully the reporting requirements for dividends and interest.

All taxpayers who have received dividends and interest during the 1959 income year should read carefully the instructions they will receive with their tax returns, Mr. Latham said.

Payers of interest and dividends also have been asked to participate in the educational program, the Commissioner said. They were requested to notify interest and dividends recipients of the amounts paid or credited them, the taxable nature of these amounts, and the legal necessity for full and complete reporting.

Newspapers, radio, TV, magazines and all other mass information media also will be requested to participate in the nation-wide educational program.

"They have been of inestimable value in the past in acquainting taxpayers with income tax reporting requirements," the Commissioner said. "I am confident they will want to join with us in this important 1960 educational program."

Mr. Latham said the enforcement phase of the program will involve a more intensive check or audit of tax returns to scrutinize more carefully all dividend and interest items reported or unreported.

These audits will normally disclose only the inadvertent omissions of interest and dividend income. However, where intentional evasion is discovered, he said, the full penalties under the law will be imposed.

Mr. Latham said he believes the educational program will accomplish the major part of the gap-closing because the vast majority of taxpayers are honest and will want to report all dividends and interest received or credited them when they are familiar with the legal reporting requirements.

- END -

U.S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
PUBLIC INFORMATION DIVISION
STerling 3-8400 • Ext. 4021

409

# news release

FOR RELEASE
Tuesday Morning Papers
December 15, 1959

IR-319

Corporations, banks and other payers of dividends and interest are cooperating in steadily increasing numbers with U.S. Internal Revenue Service to close the $5 billion gap between the amount of dividends and interest paid out annually and that reported by individual taxpayers.

Dana Latham, U. S. Commissioner of Internal Revenue who issued the statement today, said:

Many of the largest corporations and financial institutions in America already have requisitioned millions of copies of a new IRS notice to dividend and interest recipients that this income is reportable on their Federal income tax returns.

Other large corporations, banks, savings and loan associations, and financial institutions are reproducing at their own expense the IRS notice or one of their own.

These firms will use the notice as an insertion with their regular mailings, but especially with their own notices or payment of interest and dividends.

IRS has printed 35,000,000 copies of the notice and has sent them to all district offices in the country so payers of interest and dividends may requisition them locally.

"I am deeply impressed with and grateful for the cooperation we are receiving from corporations and financial institutions in the

(more)

extensive use they are making of the notice," Commissioner Latham said. "I am sure other corporations and financial institutions will want to cooperate now that supplies of the notice are available in IRS district offices."

The new notice to taxpayers, Document No. 5219, reads as follows:

"Interest and dividends, whether paid to you or credited to your account, must be included in your U.S. income tax return. Accuracy in reporting such amounts, even if small, will benefit both the recipient and the Government, and will avoid expensive enforcement action that might otherwise be necessary."

The notice is part of a nation-wide educational program instituted by IRS, in cooperation with payers of interest and dividends, to acquaint taxpayers with the legal filing requirements for such income.

Studies conducted independently by IRS and private research groups revealed the annual $5 billion gap in the amount of dividends and interest paid to taxpayers and the amount they reported on their income tax returns.

Much of the gap results from taxpayers' misunderstanding of the law or oversight due to inadequate records. The educational program is intended to help these taxpayers meet their tax obligation properly.

To back up the educational program, IRS will conduct closer checks and more audits of tax returns filed next year to detect any dividend and interest items under-reported or unreported, the Commissioner said.

- END -

IRS-D.C.-54175

U.S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
PUBLIC INFORMATION DIVISION
STerling 3-8400 • Ext. 4021

410

# news release

FOR RELEASE
Monday Morning Papers
January 11, 1960

IR-325

Additional millions of notices are going in the mails to the nation's stockholders and savings account owners notifying them their dividend and interest income for 1959 must be reported on their Federal income tax returns now being filed.

U. S. Internal Revenue Service today reported it has printed 42,000,000 copies of the notice to date to meet the nation-wide demand from corporations, banks, savings and loan associations, etc., for the document.

IRS said more corporations, banks, etc., are cooperating with IRS daily to mail the notice to their stockholders and customers.

IRS is conducting an intensive campaign to close an estimated $5 billion gap between the amount of dividends and interest paid out to taxpayers and the amount they report on income tax returns.

- END -

IRS-D.C.-54698

U.S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
PUBLIC INFORMATION DIVISION
STerling 3-8400 • Ext. 4021

11

# news release

FOR RELEASE

IR-330

Friday Morning Papers
March 4, 1960

Internal Revenue Service today announced another enforcement step in its program to close the estimated $5 billion gap between the amount of dividends and interest paid to taxpayers and the amount they report on their Federal income tax returns.

Commissioner Dana Latham said the new step involves an expanded program for checking the reports it receives from the payers of dividends and interest against the returns of individual taxpayers.

In the past, Commissioner Latham said, the reports received from payers of dividends and interest were checked against individual tax returns on a sampling basis.

Under the new program, he said, the checking operation will be enlarged on a systematic basis in all of the 61 IRS districts throughout the nation.

The Commissioner said appropriate action will be taken in cases where it is found that a required Federal income tax return has not been filed, or that the individual has been negligent, or has intentionally understated his income.

Criminal prosecution will be recommended in flagrant cases, he said.

As part of the criminal enforcement program, the Department of Justice currently is processing a substantial number of cases charging willful omission of dividend and interest income from tax returns, the Commissioner said.

Fourteen such cases, in which failure to report these items were issues in tax evasion charges, have resulted in federal court convictions recently. Periods of imprisonment, and fines ranging up to $20,000 were imposed on the principals.

The expanded IRS checking program now is confined principally to 1958 returns filed in the spring of 1959, but Mr. Latham said IRS will continue to emphasize enforcement in the dividend-interest field on returns of 1959 income which must be filed before next April 15.

- END -

IRS-D.C.-56098

U.S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
PUBLIC INFORMATION DIVISION
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412

# news release

FOR RELEASE
Tuesday Morning Papers
March 8, 1960

IR-331

Persons cashing U. S. Savings Bonds Series E are to be notified at the time that any interest accrual must be included in gross income reported for Federal tax purposes, Internal Revenue Service announced today.

IRS said this is consistent with action previously taken by the agency to request banks, savings and loan associations, credit unions, and other savings institutions to notify their depositors or shareholders of tax liability on interest and dividends.

IRS said a Federal income tax information notice (Document No. 5244) is going to banks and other redeeming agencies throughout the country with a request that it be issued to each person cashing a bond that has increased in value above the purchase price.

The notice states:

"You have just cashed a United States Savings Bond, Series E. The difference between the amount you originally paid and the amount you have just received is interest which is subject to Federal income tax. If you are required to file a tax return, you must include the interest you received as part of your gross income.

"For most taxpayers, this will require the interest to be included in the year in which payment is received. A few taxpayers have elected to report interest on U.S. Savings Bonds each year. If you are one of these few, then you would include in the year of surrender of the bond only the amount not previously reported."

For the convenience of the taxpayer, an interest computation schedule is provided on the reverse of the form.

\- END -

IRS-D.C.-56174

U. S. TREASURY DEPARTMENT
OFFICE OF COMMISSIONER OF INTERNAL REVENUE
WASHINGTON 25

February 16, 1960

MEMORANDUM TO: Paying Agents for Series E Savings Bonds

As you are probably aware, the Internal Revenue Service is conducting a program designed to remind all taxpayers of the taxability of dividend and interest income. In this program, we have received excellent cooperation from dividend and interest paying institutions, most of which are distributing a tax reminder slip stating in general terms the obligation of taxpayers to report dividend and interest income.

We have now prepared a similar slip covering interest on series E savings bonds. A facsimile of this new item, Document No. 5244, entitled "Federal Income Tax Information" is shown on the reverse side of this letter. If distributed at the time E bonds are cashed, this slip will be a timely reminder that interest on E bonds must be reported for Federal income tax purposes.

We would appreciate it greatly if you would arrange to have a copy of this tax reminder given to each person for whom you cash E bonds on which interest is paid. In order to keep additional work to a minimum, these slips need not be distributed to anyone who holds a bond for six months or less, and who therefore receives no interest.

A supply of these slips may be obtained from the nearest District Director of Internal Revenue, or from District Directors located in the 12 principal Federal Reserve Bank cities. To help us estimate the probable annual demand we would appreciate it if, when you order Document No. 5244, you would order a quantity that you think will last you for about three months.

You may be confident that any assistance you can give us on this program will be greatly appreciated by the Internal Revenue Service.

Dana Latham

Dana Latham
Commissioner

## FACE

# FEDERAL INCOME TAX INFORMATION

You have just cashed a United States Savings Bond, Series E. The difference between the amount you originally paid and the amount you have just received is interest which is subject to Federal income tax. If you are required to file a tax return, you must include the interest you received as part of your gross income.

For most taxpayers, this will require the interest to be included in the year in which payment is received. A few taxpayers have elected to report interest on U.S. Savings Bonds each year. If you are one of these few, then you would include in the year of surrender of the bond only the amount not previously reported.

The schedule on the reverse side will assist you in keeping a record of the reportable bond interest for income tax purposes.

*Commissioner of Internal Revenue.*

U.S. TREASURY DEPARTMENT—INTERNAL REVENUE SERVICE  Document No. 5244 (1-60)

## BACK

### COST OF SERIES E BONDS

| *Face amount* | *Issue cost* | *Face amount* | *Issue cost* |
|---|---|---|---|
| $25.00 | $18.75 | $500.00 | $375.00 |
| 50.00 | 37.50 | 1,000.00 | 750.00 |
| 100.00 | 75.00 | 10,000.00 | 7,500.00 |
| 200.00 | 150.00 | | |

### INTEREST COMPUTATION

Date bond(s) redeemed ________________________

1. Total amount received . . . . . . . . . . . . . . . . . . . . . . . . $__________
2. Total cost of bonds . . . . . . . . . . . . . . . . . . . . . . . . __________
3. Interest* (Line 1 less line 2) . . . . . . . . . . . . . . . . . . . . $__________

*NOTE.—Make the above record EACH time you redeem bonds and total the "Interest" items at the end of the year. This total must be reported on your U.S. income tax return. However, if you have been reporting interest from Series E Bonds as it accrued each year, you need report only that portion of the interest not previously reported.

*This form is supplied for the convenience of the taxpayer*

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 ~~(16)~~ or less for the additional bills dated December 31, 1959 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on June 30, 1960 ~~(19)~~) and noncompetitive tenders for $100,000 ~~(20)~~ or less for the 182 ~~(21)~~ -day bills 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 March 31, 1960 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 31, 1960 ~~(23)~~. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, March 24, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 31, 1960, in the amount of $1,500,665,000, as follows:

91-day bills (to maturity date) to be issued March 31, 1960, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated December 31, 1959, and to mature June 30, 1960, originally issued in the amount of $499,925,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated March 31, 1960, and to mature September 29, 1960.

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, March 28, 1960. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
Thursday, March 24, 1960.

A-797

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 31, 1960, in the amount of \$1,500,665,000, as follows:

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182-day bills, for \$400,000,000, or thereabouts, to be dated March 31, 1960, and to mature September 29, 1960.

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated December 31, 1959,( 91 days remaining until maturity date on June 30, 1960) and noncompetitive tenders for $ 100,000 or less for the 182-day bills 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 March 31, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 31, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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A-76

RELEASE A. M. NEWSPAPERS, Tuesday, March 29, 1960.

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 31, 1959, and the other series to be dated March 31, 1960, which were offered on March 24, were opened at the Federal Reserve Banks on March 28. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $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 June 30, 1960 | | 182-day Treasury bills maturing September 29, 1960 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.315 | 2.710% | 98.406 | 3.153% |
| Low | 99.262 | 2.920% | 98.374 | 3.216% |
| Average | 99.294 | 2.792% 1/ | 98.389 | 3.187% 1/ |

63 percent of the amount of 91-day bills bid for at the low price was accepted
2 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 22,588,000 | $ 12,588,000 | $ 1,650,000 | $ 1,650,000 |
| New York | 1,344,936,000 | 706,626,000 | 613,091,000 | 278,727,000 |
| Philadelphia | 26,370,000 | 26,070,000 | 9,927,000 | 4,927,000 |
| Cleveland | 33,893,000 | 33,893,000 | 18,479,000 | 8,579,000 |
| Richmond | 9,112,000 | 9,112,000 | 1,432,000 | 1,432,000 |
| Atlanta | 17,304,000 | 17,304,000 | 3,771,000 | 3,371,000 |
| Chicago | 212,848,000 | 162,848,000 | 83,225,000 | 50,145,000 |
| St. Louis | 21,359,000 | 21,359,000 | 1,954,000 | 1,954,000 |
| Minneapolis | 7,865,000 | 7,865,000 | 3,528,000 | 2,728,000 |
| Kansas City | 23,068,000 | 23,068,000 | 5,120,000 | 5,020,000 |
| Dallas | 12,362,000 | 12,362,000 | 3,259,000 | 3,009,000 |
| San Francisco | 67,125,000 | 67,125,000 | 42,559,000 | 38,559,000 |
| TOTALS | $1,798,830,000 | $1,100,220,000 a/ | $787,995,000 | $400,101,000 b/ |

a/ Includes $205,192,000 noncompetitive tenders accepted at the average price of 99.294
b/ Includes $36,642,000 noncompetitive tenders accepted at the average price of 98.389
1/ Average rate on a coupon issue equivalent yield basis is 2.85% for the 91-day bills and 3.28% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

Mm W.T.H.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, March 29, 1960.    A-798

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated December 31, 1959, and the other series to be dated March 31, 1960, which were offered on March 24, were opened at the Federal Reserve Banks on March 28. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $400,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

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2 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 22,588,000 | $ 12,588,000 | $ 1,650,000 | $ 1,650,000 |
| New York | 1,344,936,000 | 706,626,000 | 613,091,000 | 278,727,000 |
| Philadelphia | 26,370,000 | 26,070,000 | 9,927,000 | 4,927,000 |
| Cleveland | 33,893,000 | 33,893,000 | 18,479,000 | 8,579,000 |
| Richmond | 9,112,000 | 9,112,000 | 1,432,000 | 1,432,000 |
| Atlanta | 17,304,000 | 17,304,000 | 3,771,000 | 3,371,000 |
| Chicago | 212,848,000 | 162,848,000 | 83,225,000 | 50,145,000 |
| St. Louis | 21,359,000 | 21,359,000 | 1,954,000 | 1,954,000 |
| Minneapolis | 7,865,000 | 7,865,000 | 3,528,000 | 2,728,000 |
| Kansas City | 23,068,000 | 23,068,000 | 5,120,000 | 5,020,000 |
| Dallas | 12,362,000 | 12,362,000 | 3,259,000 | 3,009,000 |
| San Francisco | 67,125,000 | 67,125,000 | 42,559,000 | 38,559,000 |
| TOTALS | $1,798,830,000 | $1,100,220,000 a/ | $787,995,000 | $400,101,000 b/ |

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from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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.

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. Those submitting 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 for the additional bills dated January 7, 1960, ( 91 days remaining until maturity date on July 7, 1960) and noncompetitive tenders for $100,000 or less for the 182 -day bills 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 April 7, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 7, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss

~~Exhibit 2 A~~

~~EXTRA MODIFIED~~

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TREASURY DEPARTMENT
Washington

A-799

RELEASE A. M. NEWSPAPERS,
Thursday, March 31, 1960 .

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing April 7, 1960 , in the amount of $1,605,221,000 , as follows:

91 -day bills (to maturity date) to be issued April 7, 1960 , in the amount of $1,100,000,000 , or thereabouts, representing an additional amount of bills dated January 7, 1960 , and to mature July 7, 1960 , originally issued in the amount of $399,845,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $500,000,000 , or thereabouts, to be dated April 7, 1960 , and to mature October 6, 1960 .

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 $1,000, $5,000, $10,000, $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, one-thirty o'clock p.m., Eastern Standard time, Monday, April 4, 1960 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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WASHINGTON. D.C.

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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 Departmment of the amount and price range of accepted bids. Those submitting 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 for the additional bills dated January 7, 1960, (91 days remaining until maturity date on July 7, 1960) and noncompetitive tenders for $ 100,000 or less for the 182-day bills 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 April 7, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 7, 1960. 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.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills 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. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. 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 not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such 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, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, 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.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE
Thursday, March 31, 1960.

A-800

The Treasury will borrow $2-1/2 billion, or thereabouts, to cover its estimated requirements for funds for the balance of the fiscal year ending June 30, 1960. These funds will be obtained from the issue of:

4-1/4% Treasury bonds to be dated April 5, 1960, and to mature May 15, 1985, callable at the option of the United States on any interest date on and after May 15, 1975, up to $1-1/2 billion, at par; for delivery and payment April 14, 1960, and and accrued interest

4% Treasury notes to be dated April 14, 1960, and to mature May 15, 1962, in an amount of $2 billion, or thereabouts.

To the extent that the amount of public subscriptions to the 4-1/4% Treasury bonds of 1975-85, when added to the amount of the 4% Treasury notes issued exceed $2-1/2 billion in the aggregate, the excess funds borrowed in this operation will be used by the Treasury to reduce the amounts of the weekly issues of 91-day Treasury bills in the weeks ahead.

In addition the Treasury will issue on April 15, 1960, $2 billion of 1-year Treasury bills, to be sold at auction, the proceeds of which will be used to redeem $2 billion of quarterly Treasury bills maturing on that date.

The subscription books will be open for the Treasury bonds and notes only on Monday, April 4, and Tuesday, April 5, 1960. The Treasury bill auction will be held on Tuesday, April 12, 1960.

4-1/4% Treasury bonds

Cash subscriptions to the 4-1/4% Treasury bonds from commercial banks, for their own account, and from States, political subdivisions or instrumentalities thereof, and public pension and retirement and other public funds will be received without deposit.

Savings-type investors will be permitted to pay for bonds allotted to them in installments up to June 15, 1960 (not less than 40% by April 14, the delivery date; 70% by May 15; and full payment by June 15). Amounts allotted to other classes of subscribers must be paid for in full on April 14. All subscriptions from others than commercial banks for their own account and from States, political subdivisions or instrumentalities thereof and public funds must be accompanied by a cash down-payment of 20% at the time of the subscription. Commercial bank subscriptions will be limited to an amount not exceeding 4% of the combined amount of time certificates of deposit (but only those issued in the names of individuals, and of corporations, associations, and other organizations not operated for profit) and of savings deposits, or 10% of the combined capital, surplus and undivided profits, whichever is greater. In addition to the amount offered for public subscription, the Secretary of the Treasury may allocate up to $100,000,000 of these bonds to Government Investment Accounts. Subscription books for this issue will be open on April 4 and April 5.

All subscriptions will be allotted in full unless the total public subscriptions exceed $1-1/2 billion. In that event subscriptions will be subject to allotment, except that subscriptions up to a maximum of $25,000 if they are accompanied by 100% payment at the time the subscriptions are entered, will be allotted in full to all subscribers.

Savings-type investors who may subscribe to the 4-1/4% bonds on a deferred payment basis are:

Pension and Retirement Funds - public and private
Endowment Funds
Common Trust Funds under Regulation F of the Board of Governors of the Federal Reserve System
Insurance Companies
Mutual Savings Banks
Fraternal Benefit Associations and Labor Unions' insurance funds
Savings and Loan Associations
Credit Unions
Other Savings Organizations (not including commercial banks)
States, Political Subdivisions or instrumentalities thereof, and Public Funds

Where subscribers in this group (except States, political subdivisions or instrumentalities thereof, and public pension and retirement and other public funds) elect to pay for such bonds in installments, delivery of 5% of the total par amount allotted will be withheld until payment for the total amount allotted has been completed.

The bonds may be paid for by credit in Treasury Tax and Loan Accounts.

The bonds will be redeemable at par prior to maturity in payment of Federal estate taxes if owned by the decedent at time of death.

4% Treasury notes

Subscriptions to the 4% Treasury notes of May 15, 1962, from commercial banks, for their own account, will be received without deposit, but will be restricted to 50% of the combined capital, surplus, and undivided profits of the subscribing bank, and subscriptions from all others must be accompanied by payment of 2% of the amount of notes applied for not subject to withdrawal until after allotment. Payment for 75% of these Treasury notes may be made by credit in Treasury Tax and Loan Accounts.

General Requirements for 4-1/4% Treasury Bonds and 4% Treasury Notes

The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of bonds or notes applied for, and to make different percentage allotments to various classes of subscribers.

Commercial banks and other lenders are requested to refrain from making unsecured loans, or loans collateralized in whole or in part by the notes or bonds subscribed for, to cover the deposits required to be paid when subscriptions are entered, and banks will be required to make the usual certification to that effect.

All subscribers to the bonds and notes 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 the securities subscribed for under this offering, until after midnight, April 5.

Any subscriptions for the notes or the bonds addressed to a Federal Reserve Bank or branch, or to the Treasurer of the United States, and placed in the mail before midnight, April 5, will be considered as timely.

Treasury bills maturing April 15, 1960

The Treasury also will issue $2,000 million, or thereabouts, of 1-year Treasury bills on April 15, 1960, for cash or in exchange for the $2,003 million of Treasury bills which mature on that date. The new bills will be sold on an auction basis, and tenders for such bills will be received on April 12, 1960. Payment for these bills can not be made by credit in Treasury Tax and Loan Accounts.

Full details regarding the offering of the bills to be issued on April 15, 1960, will be released next week.

U.S. Treasury Dept.

Press Releases

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U.S. Treasury Dept.

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