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TREASURY DEPARTMENT

IMMEDIATE RELEASE
Friday, April 1, 1960 A-801

Secretary Anderson today announced the appointment of Edwin F. Rains as an Assistant General Counsel of the Treasury Department.

It was also announced that Assistant General Counsel Fred B. Smith has been designated to handle the legal matters relating to international finance formerly performed by Elting Arnold, who resigned as Assistant General Counsel on March 19, 1960, to become General Counsel of the Inter-American Development Bank.

Mr. Rains will take over Mr. Smith's former duties, which include supervision of legal work relating to the Bureau of Customs, Bureau of Narcotics, and the Office of the Comptroller of the Currency.

As a member of the General Counsel's staff, Mr. Rains for the past eight years has been Chief Counsel of Foreign Assets Control. Mr. Rains was appointed as an attorney in the Office of the Chief Counsel of the Bureau of Customs of the Treasury Department in 1938. In 1941 he joined the staff of the General Counsel of the Treasury Department, and, except for a period of service from 1944 to 1946 in the Navy, in which he rose to the rank of Lieutenant (j.g.), Mr. Rains has been associated with that staff.

Mr. Rains was born in New York City on April 4, 1915. He graduated from City College of New York in 1934 with a B.S.S. Degree, and from Columbia Law School in 1937 with an LL.B. Degree. He was admitted to the New York Bar in 1938 and to the District of Columbia Bar in 1948.

Mr. Rains resides at 217 East Marshall Street, Falls Church, Virginia, with his wife and two children.

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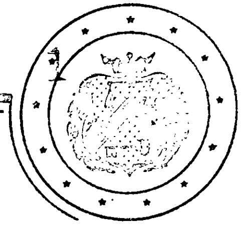
TREASURY DEPARTMENT



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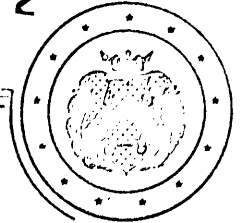

IMMEDIATE RELEASE
Friday, April 1, 1960

WASHINGTON, D.C.

Under Secretary Fred C. Scribner, Jr. has sent the following letter to the Honorable Harry F. Byrd, Chairman, Commettee on Finance:

April 1, 1960

My dear Mr. Chairman:

After the close of the Hearings on H. R. 10 before the Finance Committee last year, you requested the Treasury Department, in cooperation with the Staff of the Joint Committee on Internal Revenue Taxation, to search for a better approach to the treatment of the retirement savings of self-employed people than H. R. 10. We are accordingly responding to your request with a discussion of an approach which would grant self-employed individuals treatment comparable to that received by employees covered by qualified pension plans and at the same time avoid the many serious problems inherent in H. R. 10.

Pension Plans under Present Law

Present law accords favorable tax treatment to pension plans, established for the exclusive benefit of employees or their beneficiaries, which qualify under the Internal Revenue Code. Covered employees under qualified plans are not taxed currently on employers' contributions made on their behalf to these plans. Instead, the employees generally include the benefits from such plans in taxable income in the year they are received or made available. The deferment of tax until ultimate distribution provided for employees with respect to employer contributions under qualified plans applies whether or not the employee has vested rights in the contributions. Typically, the employee does not have vested rights to such contributions, although plans vary considerably from immediate vesting to vesting after reaching specified years of service, or a specified age, or until actual retirement age. Trusts established to administer qualified pension plans are exempt from tax. Similarly, the Life Insurance Company Income Tax Act of 1959 granted exemption, fully effective in 1961, to income earned on insured reserves established in connection with qualified pension plans. In addition, employers are permitted to take tax deductions, within specified limits, for their contributions to qualified plans, regardless of whether the employees have a forfeitable or nonforfeitable right to such contributions at the time they are made.

The law grants this favored tax treatment only to pension plans which do not discriminate as to coverage, contributions, or benefits in favor of employees who are stockholders, officers, supervisors, or highly compensated. There are alternative tests for determining whether the coverage requirements are met. Under the first alternative, the coverage requirements are satisfied if the plan covers 70 percent

or more of all the employees, or 80 percent or more of all the employees who are eligible to benefit if 70 percent or more of all the employees are eligible to benefit under the plan. Before applying these percentages, there may be excluded individuals who have been employed not more than 5 years, employees whose customary employment is for not more than 20 hours in any one week and employees whose customary employment is for not more than 5 months in any calendar year.

Under a second alternative under the law, instead of meeting the percentage requirements, the plan can qualify if it covers employees under a classification found by the Internal Revenue Service not to be discriminatory in favor of employees who are officers, shareholders, supervisors or highly compensated. Most plans satisfy the coverage requirements for qualification under this option rather than by meeting the percentage of employees test. The law specifies that a plan shall not be considered discriminatory merely because it is limited to salaried or clerical employees.

A qualified pension plan cannot provide a higher rate of contribution or benefit for higher paid employees than for lower paid employees or for shareholder-employees than for those who are not shareholders. However, the dollar amount of benefits or contributions for the higher paid employees may be larger than for the lower paid employees provided that such amounts constitute a uniform percentage of the compensation of participants. Under appropriate circumstances, the private plan may be integrated with the social security system whereby the portion of social security benefits which is not attributable to the employee's own contributions is taken into consideration in determining whether the benefits paid by the private plan meet the nondiscrimination test. The portion of social security benefits not attributable to the employee's own contributions is considered equivalent to a benefit which can be financed by a 9-3/8 percent contribution rate on wages up to $4,800 under money purchase types of plans. In terms of benefits this portion has been valued at 37-1/2 percent of wages covered by the social security system, up to $4,800 a year. Under the integration rules, the benefits of the higher paid employees, after being combined with the designated portion of social security benefits, must not be larger in relation to salary than the similarly combined benefits of lower paid employees.

The Income Tax Regulations point out that a pension or similar plan which is so designed as to amount to a subterfuge for the distribution of profits to shareholders will not qualify as a plan for the

exclusive benefit of employees. The plan must benefit the employees in general. This contemplates coverage of a wider range of employees than the limited participation of a group consisting predominantly of shareholders where there are other full-time employees who have met a reasonable service requirement. The "exclusive benefit of employees" requirement is not met if, by any device whatever, discrimination is effected in favor of the shareholders. Thus, approval has been denied to plans in a number of cases where the effect of the plan provisions, including those designed to integrate with social security benefits, is to exclude nonowner-employees leaving shareholder-employees as the sole beneficiaries. However, a qualified plan may be maintained only for shareholder-employees if there are no other permanent employees.

The present problem of how to treat the retirement savings of self-employed individuals arises because they are not permitted by law to participate in qualified pension plans. Under the Internal Revenue Code, only employees are permitted to participate in such plans. It has been asserted that under some circumstances the grounds for making self-employed people ineligible for coverage under qualified pension plans are somewhat artificial. Working proprietors and partners engaged in activities which can be incorporated under the laws of their respective States may form corporations and become employees for pension plan purposes. Certain unincorporated organizations also might, for a variety of reasons, be treated as an association taxable as a corporation so that for tax purposes the members may become "employees". Indeed, under Subchapter S of the Internal Revenue Code, proprietors and partners may incorporate, be taxed substantially as partnerships or proprietorships without corporate tax liability, and nevertheless be treated as "employees". The Internal Revenue Service has administrative problems in dealing with partnerships which attempt to be treated as associations in order to allow the members to obtain coverage under qualified pension plans. This constantly raises difficult questions of substance over form.

Defects of H. R. 10

As we indicated on June 17, 1959 in our statement before your Committee, we do not believe that H. R. 10 represents a satisfactory approach to the tax treatment of the retirement savings of self-employed people. This bill would allow self-employed individuals to establish their own voluntary pension plans with tax advantage without making any provision for the retirement needs of their employees. For the first time it would permit the establishment of voluntary retirement plans conferring tax advantages for the exclusive benefit of the employer. Even if H. R. 10 were adopted, there would still remain substantial

differences between the tax treatment of self-employed individuals covered by voluntary retirement plans and employees, including owner-managers of corporations, covered by qualified pension plans. Moreover, a precedent would be created for allowing individuals to take tax deductions for retirement savings even though historically such favored tax treatment has been allowed only in the case of nondiscriminatory plans for the benefit of employees. Such a precedent could have very severe repercussions on the fundamental nature of the individual income tax and on tax revenues. We have estimated the revenue loss of allowing self-employed people tax deductions for their retirement savings under H. R. 10 at $365 million on a full year's basis. However, the extension of comparable tax deductions to other taxpayers for their retirement savings could involve a revenue loss up to $3 billion depending on how the principle would be extended.

In view of these problems, we have concluded that it would be unwise to add the unique benefits and precedent of H. R. 10 to our existing laws pertaining to retirement income.

Alternative Approach

Serious difficulties raised by H. R. 10 would be avoided under an alternative approach which, with appropriate safeguards described below, would allow self-employed individuals the right to be covered by pension plans like employees. This would permit self-employed individuals (including the partners of a partnership) to establish a qualified pension plan for themselves and their employees and thereby secure treatment similar to that accorded to owner-managers of corporations covered by such a pension plan. It would also eliminate the problems now resulting from attempts by partnerships to secure classification as a corporation for tax purposes in order to be eligible for coverage in a qualified pension plan. This approach would allow self-employed individuals to secure the benefits of a qualified pension plan only by establishing a plan meeting the requirements of the Internal Revenue Code as to nondiscrimination of benefits and coverage. Moreover, since the retirement needs of the self-employed would be met within the framework of the present provisions of the Internal Revenue Code relating to pension plans, it should not create a precedent for allowing individuals to take tax deductions for a wide variety of individual savings for different purposes. As under present law, the qualified pension plans covering self-employed individuals could be funded through contributions to a trust or by purchase of an annuity contract directly from an insurance company. Self-employed individuals establishing such plans for themselves and their employees could, if they chose to do so, use associations to pool their separate funds for investment purposes.

Any legislation allowing self-employed individuals to be covered under qualified pension plans should provide adequate safeguards to

prevent unwarranted advantages. To a considerable extent, the fact that such pension plans covering self-employed individuals would be required to fulfill all the present requirements in the Internal Revenue Code as to nondiscrimination in regard to coverage and benefits would substantially reduce the possibilities for abuse. However, because the present provisions of the Internal Revenue Code were designed for plans covering only employees, the extension of such provisions to plans covering the self-employed would require additional provisions to meet the new problems that would result from such extended coverage. Some of the features that such legislation would have to contain are outlined below.

1. A proprietor or partner should be covered under a qualified pension plan only if he performs personal services. Since the objective of such pension plans is to provide retirement benefits, it would be entirely inappropriate to allow inactive owners who derive their income entirely from investments to participate. A corporate shareholder can participate in a qualified pension plan only if he is an employee of the corporation. Benefits and contributions for covered self-employed individuals engaged in activities involving significant capital investment should be based only on the part of business income attributable to personal services. Unless this is done, self-employed individuals would be given an advantage over other covered employees, including owner-managers of corporations, whose benefits under present law are based solely on their earned income. This means, for example, that pension benefits or contributions for self-employed individuals should not be based on the amount of their self-employment income for social security purposes as proposed under H. R. 10 where such income includes investment income as well as personal service income.

2. Unless, as outlined below, the vested benefits provided for employees are substantial in relation to those provided for the owners of the business, limitations should be placed on the pension contributions that self-employed individuals (individual proprietors and partners who have a partnership interest exceeding a specified percent, say 10 percent) should be allowed to make for themselves. Similar limitations, with a transition period for existing plans, should be applied to contributions on behalf of stockholder-employees who own a specified percent of the voting stock or of all classes of stock. In applying these rules, the ownership interests of close relatives should be taken into consideration. The application of these limitations to contributions on behalf of such stockholder-employees is basic to the plan both in terms of equity and revenue. It is an essential part of the plan to provide comparable treatment for the retirement savings of self-employed persons and owner-managers

of corporations and to avoid reintroducing the problems inherent in attempts by partners to be treated as associations in order to secure more favorable pension treatment. Moreover, while the estimates are difficult to make at this time, as noted below, applying these limitations to pension contributions on behalf of stockholder-employees would over the years provide some offset to the cost of extending similar pension coverage to self-employed people.

Appropriate limitations would include the following:

(a) A basic employer contribution on behalf of each self-employed individual or corporate owner-manager would be permitted, amounting up to 10 percent of earned income, or $2,500, whichever is less. Such contributions, however, could not be discriminatory in favor of the owners as compared with employees.

(b) Nevertheless, nondiscriminatory contributions on behalf of self-employed individuals and corporate owner-managers would be permitted to exceed this basic amount under certain conditions where there are substantial contributions made on behalf of other employees. Regardless of the 10 percent - $2,500 limit, pension contributions on behalf of each self-employed individual or owner-manager of a corporation could be as much as the largest annual deductible contribution vested in any covered employee who is neither an owner nor a close relative of an owner.

(c) Moreover, there would be no special limitation on nondiscriminatory contributions for self-employed persons and corporate owner-managers if the total amount of such contributions did not exceed one-half of the total annual deductible contributions vested in all employees who are neither owners nor close relatives of an owner.*

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*This limitation is roughly similar to the so-called 30-percent rule (I.T. 3674) which was applicable in limiting the deduction of owner-managers of corporations prior to 1950. Under the latter rule no more than 30 percent of the total employer contributions under a qualified pension, profit-sharing, or stock-bonus plan could be used to finance benefits for stockholder-employees who own more than 10 percent of the voting stock. This rule was held invalid by the Tax Court in Volkening Inc. (1949 13 T.C. 723) since there was no specific statutory authority for the rule.

(d) Individuals should not be permitted to arrange to increase the allowable amounts that can be contributed on their behalf to qualified pension plans merely because they split their activities into several businesses each with a different pension plan.

Under these limitations, contributions made on behalf of a self-employed individual or an owner-manager of a corporation could exceed 10 percent of his earned income or $2,500 a year only where the pension plan provides vested rights for at least some employees. Where employees have vested rights there is an automatic safeguard that funds contributed ostensibly on their behalf will not as a result of forfeitures, eventually accrue to the individuals establishing the plan. This helps both to prevent abuses and to reduce problems of administration. Moreover, except where he is a part of a large enterprise with numerous partners, the self-employed individual, as a practical matter, has what amounts to a vested right in the amounts set aside for him under a pension plan, even though the plan nominally provides only forfeitable rights. Thus a self-employed person would have to give other covered employees comparable vested rights if he wished to increase contributions on his own behalf above the basic allowance.

3. Pension plans providing benefits for self-employed individuals or owner-managers of corporations should be specifically precluded from taking credit for social security payments under the integration rules so as to exclude from benefits all other individuals. For example, a self-employed individual earning a substantial income whose employees all earn not more than $4,800 a year (the amount covered by social security) should not be permitted to establish a qualified pension plan which nominally covers himself and all his employees but which, in effect, provides no contributions for the latter on the grounds that their retirement needs are met by social security benefits. To allow this would be contrary to the fundamental purpose of qualified pension plans which is to provide retirement benefits for employees generally and not merely for the owners of a business. Such problems would be reduced if plans with total contributions for self-employed individuals and corporate owner-managers exceeding one-half of the total contributions made for all other employees were required to provide nondiscriminatory pension contributions or benefits for all covered employees starting with the first dollar of earnings regardless of social security benefits.

Moreover, even where the contributions for the owners do not exceed one-half of the total contributions made for their employees, a special

problem would arise when a self-employed individual who is not covered by the social security system establishes a plan under which benefits for his employees are integrated with social security benefits. The present integration rules might be interpreted to permit such a self-employed person to contribute to the plan at a higher rate with respect to the first $4,800 of his earned income than he contributes for his employees under the social security system. This discrimination in favor of such self-employed individuals could be avoided by covering such individuals under the social security system or by restricting their pension contributions on their own behalf to their earned income in excess of the level covered by social security.

If this alternative approach were to be enacted, your Committee may wish at some later date to consider allowing all qualified plans covering corporate owner-managers and self-employed people to take credit for social security benefits in determining whether the private benefits are nondiscriminatory. This might be considered as part of a program to provide uniform integration rules for all qualified plans, including those covering working owners. There is some indication that in certain cases the present rules have resulted in reducing unduly the benefits derived from the private plan by employees whose entire wages fall within the limits covered for social security purposes. One possibility which merits study would be to allow all pension plans to take credit under the integration rules for only the amount of the employer's social security contributions on behalf of employees.

4. Under contributory plans, self-employed individuals and owner-managers would be permitted to make additional nondeductible contributions consistent with those permitted for employees. To prevent unwarranted tax advantages through the deferment of tax on the earnings of large accumulations of funds, the additional nondeductible contributions by such individuals would be limited to 10 percent of earned income up to $2,500 a year. However, self-employed individuals without employees would not be permitted to make such additional contributions. To discourage self-employed individuals and owner-managers from contributing nondeductible amounts in excess of the allowable limits, some penalty should be imposed where such excess contributions are made.

5. Where the pension plan does not provide all covered employees with vested rights, forfeitable contributions made on behalf of employees would not be permitted to accrue eventually to the self-employed person or the corporate owner-manager establishing the plan. Instead, as under present Income Tax Regulations relating to pension plans, any forfeitures

resulting under the pension plan would be used to reduce the employer's contributions and would not be used to increase benefits for the remaining participants.

6. In the absence of special provisions, some self-employed individuals might seek to increase the tax advantages resulting from coverage under a qualified pension plan by overfunding the employees' benefits under the plan. The tax deductions for the excess contributions, for example, might be taken in high-income years and the excess amounts on termination of the plan might be withdrawn and included in the self-employed individual's taxable income in a period when his income is relatively low. To reduce the amounts reverting to an employer on termination of a plan, all employees covered at the time of termination would be given vested rights to benefits, as under present administrative rules.

7. A somewhat similar problem would arise if a covered self-employed individual could terminate the plan at any time or could keep the plan in effect beyond his expected lifetime. Although the plan is established to provide retirement benefits, the self-employed individuals, if they could terminate the plan at will, could secure special averaging advantages; they could reduce their taxes in high-income years by reason of their contributions to the plan and withdraw the funds from the plan in low tax years. This unintended tax benefit could be avoided by requiring that the plan be irrevocable and by imposing penalties on any withdrawals other than for disability before some normal retirement age, say 60. Such penalties could include an increased tax on such early withdrawals and a denial of the opportunity to participate in a qualified plan for some period such as five years. There should also be included a requirement that the self-employed individuals start withdrawals before some maximum age, say 70.

8. The prohibited transaction rules provided by the Internal Revenue Code to prevent abuse through the misuse of pension funds should be strengthened for plans covering self-employed individuals and owner-managers of corporations. For such plans it might be desirable to apply the type of prohibited transaction rules proposed in H. R. 10 to prevent any opportunity for self-employed individuals to take a deduction for funds contributed to a pension plan and then, in effect, take back these funds for their own use while such funds are ostensibly still in the pension plan.

9. With appropriate safeguards, instead of participating in a pension plan providing for specific contributions or benefits, self-employed individuals might be permitted to participate in a form of

retirement plan which would allow them to set aside funds in profitable years and yet not commit them to do so in nonprofitable years. If self-employed individuals are allowed to be covered by retirement plans providing such flexibility, contributions on their behalf should be subject to the limitations described above to prevent abuse. In addition, plans of this type should be permitted for the self-employed only if they (1) provide a definite formula for contributions, (2) grant all covered employees immediate vested rights to employer contributions, (3) do not permit contributions on behalf of self-employed individuals to be lumped in one year through the carryover of unused deductions in prior years, and (4) provide that benefits to covered self-employed individuals are not to be paid before the age of 60, except in the case of earlier disability. It would be basic to the approach to apply similar limitations to qualified profit-sharing plans covering owner-managers of corporations, with a transition period for existing plans.

10. The present long-term capital gains treatment accorded to lump-sum distributions by qualified plans at termination of the employee's service or at his death should be removed. Instances have come to our attention where employees have received lump sums in excess of $800,000 taxable at capital gains rates. These lump-sum distributions are not true capital gains and the present capital gains treatment seems to have been extended to them primarily to mitigate the impact of the progressive tax rates on sums which have accumulated over long periods of time. This aim would be served better by providing some form of direct averaging treatment for these lump-sum distributions, such as would be provided by H. R. 10 for lump-sum distributions received after the age of 65.

The exemption from estate and gift taxes of pension rights attributable to employer contributions under qualified plans should also be reexamined.

The revenue loss resulting from the basic approach outlined in this letter, insofar as it is attributable to the tax relief provided for the self-employed, would be less than the $365 million estimated annual revenue loss involved under H. R. 10. Utilization of the legislation would be reduced because self-employed people would be able to secure the tax relief for their retirement savings only by establishing qualified pension plans providing comparable benefits for their own employees on a nondiscriminatory basis. Under this approach, self-employed individuals making substantial pension

contributions for their employees could make larger contributions on their own behalf than under H. R. 10. However, the additional cost attributable to this factor would be more than counter balanced by the fact that the approach would base the allowable deductions of the self-employed only on their earned income and would not allow extra deductions to be taken automatically by older people without employees.

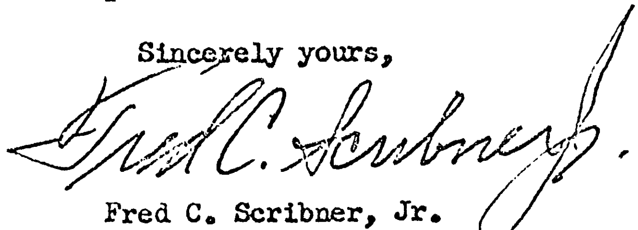
A portion of the revenue loss resulting under this approach would also be due to the coverage under new pension plans of employees of self-employed persons. While it is difficult to estimate the total revenue effect, we believe that the annual over-all revenue loss attributable to the coverage of self-employed people and their employees in new pension plans as outlined above would range between $150 million and $250 million before taking into account offsets due to corresponding changes in the corporate pension and profit-sharing area. In the long run some part of this revenue loss would have resulted apart from the approach since, with the rapid growth of pension plans, a significant number of the employees covered under the new pension plans might eventually have been covered by pension plans in any event. The long run revenue loss resulting from the approach we have described should be considerably less than that resulting from H. R. 10 in its present form, particularly since it avoids the precedent that the latter would offer.

It is difficult to estimate the increase in revenue that would result from placing the limitations described above on qualified plans covering owner-managers of corporations and from elimination of the present capital gains treatment of lump-sum distributions. However, the revenue effect of these changes should over the years provide significant offsets to the revenue loss from extending coverage under pension plans to self-employed people.

The Treasury believes that the alternative approach as outlined is more sound and equitable than the measure now under consideration. However, the Committee and Congress in considering the alternative approach must also consider whether, if the tax base is to be further limited and legislation which will reduce tax collections enacted, this particular area is entitled to first priority. Any legislation should also take into account current and future budgetary requirements and the essentiality of substantial debt reduction in fiscal 1961 and subsequent years.

If your Committee desires to recommend legislation along the lines of this approach, the Treasury staff will cooperate with the Joint Committee staff in drafting a bill. This plan represents a different approach to the problems involving the self-employed and, as an integral part of the approach, concerns (1) corporate plans covering stockholder-employees with substantial proprietary interests, (2) the capital gains treatment now accorded to certain lump-sum distributions by pension and profit-sharing plans, and (3) possibly, the gift and estate tax exemptions now provided for pension rights attributable to employer contributions under qualified plans. While the Treasury is not advised as to whether in the discretion of the Committee it is intended that hearings be held concerning all aspects of the approach as outlined, we should point out that the changes suggested are both substantive and important.

Sincerely yours,



Fred C. Scribner, Jr.
Under Secretary of the Treasury

Honorable Harry F. Byrd
Chairman, Committee on Finance
United States Senate
Washington 25, D. C.

A-803

RELEASE A. M. NEWSPAPERS, Tuesday, April 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 January 7, 1960 and the other series to be dated April 7, 1960, which were offered on March 31, were opened at the Federal Reserve Banks on April 4. Tenders were invited for $1,100,000,000 or thereabouts, of 91-day bills and for $500,000,000, 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 July 7, 1960		182-day Treasury bills maturing October 6, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.327	2.662%	98.544	2.880%
Low	99.283	2.836%	98.488	2.991%
Average	99.310	2.731% 1/	98.520	2.927% 1/

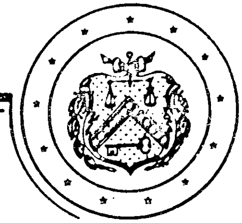
1 percent of the amount of 91-day bills bid for at the low price was accepted
24 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 25,361,000	$ 15,361,000	$ 4,385,000	$ 4,355,000
New York	1,217,963,000	706,213,000	622,414,000	393,846,000
Philadelphia	29,468,000	29,468,000	8,118,000	8,118,000
Cleveland	21,857,000	21,857,000	10,327,000	5,327,000
Richmond	18,076,000	17,076,000	1,870,000	1,870,000
Atlanta	22,691,000	22,291,000	3,680,000	3,280,000
Chicago	171,365,000	152,365,000	59,650,000	49,370,000
St. Louis	22,330,000	22,299,000	4,082,000	4,082,000
Minneapolis	10,665,000	10,665,000	3,483,000	3,483,000
Kansas City	25,325,000	25,225,000	4,188,000	4,138,000
Dallas	12,386,000	12,386,000	2,378,000	2,128,000
San Francisco	65,518,000	65,018,000	20,082,000	20,082,000
TOTALS	$1,643,005,000	$1,100,224,000 a/	$744,657,000	$500,079,000 b/

a/ Includes $200,105,000 noncompetitive tenders accepted at the average price of 99.310
b/ Includes $38,867,000 noncompetitive tenders accepted at the average price of 98.520
1/ Average rate on a coupon issue equivalent yield basis is 2.79% for the 91-day bills and 3.01% 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



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OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 25,361,000	$ 15,361,000	$ 4,385,000	$ 4,355,000
New York	1,217,963,000	706,213,000	622,414,000	393,846,000
Philadelphia	29,468,000	29,468,000	8,118,000	8,118,000
Cleveland	21,857,000	21,857,000	10,327,000	5,327,000
Richmond	18,076,000	17,076,000	1,870,000	1,870,000
Atlanta	22,691,000	22,291,000	3,680,000	3,280,000
Chicago	171,365,000	152,365,000	59,650,000	49,370,000
St. Louis	22,330,000	22,299,000	4,082,000	4,082,000
Minneapolis	10,665,000	10,665,000	3,483,000	3,483,000
Kansas City	25,325,000	25,225,000	4,188,000	4,138,000
Dallas	12,386,000	12,386,000	2,378,000	2,128,000
San Francisco	65,518,000	65,018,000	20,082,000	20,082,000
TOTALS	$1,643,005,000	$1,100,224,000 a/	$744,657,000	$500,079,000 b/

/ Includes $200,105,000 noncompetitive tenders accepted at the average price of 99.310
/ Includes $38,867,000 noncompetitive tenders accepted at the average price of 98.520
/ Average rate on a coupon issue equivalent yield basis is 2.79% for the 91-day bills and 3.01% 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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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 14, 1960, (91 days remaining until maturity date on July 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 April 14, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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

TREASURY DEPARTMENT
Washington

A-804

RELEASE A. M. NEWSPAPERS,
Thursday, April 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 April 14, 1960 (3), in the amount of $ 1,602,048,000 (4), as follows:

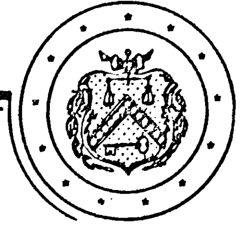
91 (5) -day bills (to maturity date) to be issued April 14, 1960 (6), in the amount of $ 1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated January 14, 1960 (8), and to mature July 14, 1960 (9), originally issued in the amount of $ 400,175,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 (12), or thereabouts, to be dated April 14, 1960 (13), and to mature October 13, 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, April 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



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 14, 1960, (91 days remaining until maturity date on July 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 April 14, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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 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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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, April 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 April 15, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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 bill

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

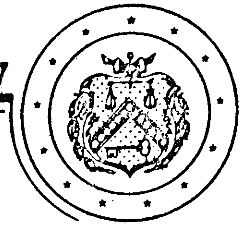
A-805

The Treasury Department, by this public notice, invites tenders for $2,000,000,000, or thereabouts, of 365-day Treasury bills, for cash and in exchange for Treasury bills maturing April 15, 1960, in the amount of $2,003,314,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated April 15, 1960, and will mature April 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, April 12, 1960. Tenders will be received at the Federal Reserve Banks of Philadelphia and Chicago and at the Baltimore Branch of the Federal Reserve Bank of Richmond only from bidders whose principal places of business are located in their respective districts, except in those cases where bidders located in other areas customarily enter their tenders through Philadelphia, Chicago, or Baltimore. 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 365 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

TREASURY DEPARTMENT



WASHINGTON, D.C.

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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, April 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 April 15, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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 bill

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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-806

IMMEDIATE RELEASE,
Thursday, April 7, 1960.

Reports received from the Federal Reserve Banks show that subscriptions total about $6,718 million for the 4% Treasury Notes of May 15, 1962, and about $370 million for the 4-1/4% Treasury Bonds of 1975-85, included in the Treasury's current financing.

The Treasury will allot in full all subscriptions received for the 4-1/4% Treasury Bonds of 1975-85. Subscriptions for the 4-1/4% Treasury Bonds of 1975-85 include $187 million from subscribers in the savings-type investor groups; $87 million from commercial banks for their own account; and $96 million from all others. Among these subscriptions there were 2,100 full-paid subscriptions for $25,000 or less, aggregating about $20 million.

The Treasury will also allot 30 percent on subscriptions in excess of $100,000 for the current cash offering of $2 billion, or thereabouts, of 4% Treasury Notes maturing May 15, 1962. Subscriptions for $100,000 or less will be allotted in full. Subscriptions for more than $100,000 will be allotted not less than $100,000. Subscriptions for the 4% Treasury Notes include $5,031 million from commercial banks for their own account, and $1,687 million from all others.

In addition to allotments on account of public subscriptions, the Treasury has allotted $100 million of the 4-1/4% Treasury Bonds of 1975-85 and $27,400,000 of the 4% Treasury Notes of May 15, 1962, to Government investment accounts.

Details by Federal Reserve Banks as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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TREASURY DEPARTMENT
Washington

MEMORANDUM TO THE PRESS: April 7, 1960

STATEMENT BY SECRETARY OF TREASURY ANDERSON
ON FINANCING RESULTS

The subscriptions to the bonds shows only a limited acceptance by the current market for a long-term bond at the 4-1/4% statutory interest rate ceiling.

In announcing the offering last week the Treasury did not attempt to estimate the probable amount of the subscription to the bond. The Treasury said under present market conditions there was no way to determine the true demand for long term bonds within the 4-1/4 ceiling; the only way to find out was to offer something to test the market.

The results indicate that suggestions to the effect that Treasury could get a substantial amount of debt extension either by cash or advance refunding under the 4-1/4 ceiling were not well founded.

Total cash raised from the announced allotment to the 4% note, as well as the bond, will meet Treasury's cash needs for the balance of the fiscal year ending June 30, 1960.

the Committee announced that it would consider the so-called "gross up" amendment as a separate matter and has scheduled these public hearings. The argument most commonly made by those who oppose a change in the existing tax rate preference accorded foreign subsidiary operations is that discontinuance of the preference, by increasing the United States tax on foreign income when repatriated, may to some extent tend to discourage investment which might otherwise have been made in the less developed countries. Whether or not arguments of this type will be sufficiently persuasive to override the apparent need for a change in the formula for computing the foreign tax credit in order to put it on a sound and consistent basis may well depend upon the facts presented by other witnesses at these hearings.

The Treasury would welcome the opportunity to cooperate with the Committee and its staff in the further development of appropriate legislation after studying the testimony and submission of the witnesses in these hearings.

changes in tax rates abroad on a country by country basis, or be limited in application to the foreign subsidiary form of operation. Instead, if upon full consideration, your Committee should determine that a rate reduction in this area is appropriate, it would appear more sound and equitable that it be granted on a uniform and predictable basis. It should be emphasized, however, that a reduction in the tax rate on foreign income must clearly serve the national interest in order to justify the discrimination against United States source income, as well as the resulting revenue loss. In the Treasury Department's report dated May 6, 1959 on H. R. 5, it was stated that a 14 percent reduction in tax on foreign income, as provided in section 4 of the bill as introduced, would have produced a revenue loss of approximately $200 million. Because of the large revenue loss and because of the doubtful effect of rate reduction as an incentive for the expansion of American business abroad, the Treasury Department, as you know, was opposed to section 4 of H. R. 5.

To summarize, the Committee decided last August that the duplication of the deduction and credit now allowed with respect to foreign taxes attributable to dividends received from foreign subsidiaries should be eliminated. The Treasury supported the Committee's decision. Because of the protests on the part of the taxpayers investing abroad through foreign corporations to a change adversely affecting them without giving them an adequate opportunity to be heard,

expression of intent to the contrary on the part of Congress. If this situation should arise, the treaties involved could, we are confident, be easily modified to accord with the change made in our tax law by enactment of the pending legislation.

The third possible way for the Committee to handle the present tax rate discrimination favoring the foreign subsidiary form of doing business abroad would be to extend the preferential tax rates (through amendment to the foreign tax credit provisions) to income earned abroad by domestic corporations, including the new foreign business corporation, should H. R. 5 be enacted. In other words, such an approach would require that the Committee reverse its decision announced on January 31, 1960, and remove the present limited "gross up" amendment from H. R. 5. While this approach would equalize the tax rate situation as between foreign subsidiary and branch operation abroad, it would, by continuing and enlarging this tax preference for foreign income, discriminate against taxpayers whose income is earned in this country.

The fourth possible approach, as I indicated above, is to enact H. R. 10859 or its companion bill, H. R. 10860, together with a direct and uniform reduction in the rate of tax on foreign income. If preferential tax rates for foreign income are considered desirable from the standpoint of foreign economic policy as a means of increasing investment abroad, it is at least questionable that the preference should depend upon and fluctuate with the level of and

As to the relationship of the "gross up" amendment upon existing treaty obligations, it is clear that if Congress desires to do so it can enact H. R. 10859 and H. R. 10860 without violating any treaty provisions. The problem in this area is that several existing treaties contain language which purports to freeze the existing tax credit provisions in the law. If the pending legislation is enacted, a question might arise as to whether the gross up amendment would apply to dividends paid by subsidiaries incorporated in perhaps as many as fourteen of the tax treaty countries. Most of the treaties in question, however, have a savings clause which expressly reserves to the United States the right to change its tax laws as they affect its own citizens, residents, and corporations without regard to any provision of the treaty. Furthermore, a good argument can be made that the gross up amendment merely involves the inclusion of the foreign tax in United States taxable income without disturbing or limiting the allowable foreign tax credit. As a matter of fact, the amendment would actually increase the dollar amount of the credit for taxes deemed paid by the foreign subsidiary.

Apart from these considerations, it is clear that enactment of H. R. 10859 and H. R. 10860 would not override any of our treaty obligations unless the Congress expressly indicates such an intention. Thus, if in any case it could be shown that the application of the gross up amendment would be contrary to a treaty obligation, the treaty provisions would prevail, in the absence of a clear

Finally, it is suggested that the "grossing up" amendment, if applicable to foreign subsidiaries generally, may raise a problem in connection with certain of this country's tax treaties, which appear to call for the allowance of a foreign tax credit under the United States law in effect at the time the treaties were negotiated.

While legitimate questions do arise as to the effect in various areas of the change in the foreign tax credit computation proposed in H. R. 10859 and H. R. 10860, several points should perhaps be noted in response to the arguments just mentioned. The first is that it is highly questionable whether the continuance of a tax preference is warranted where, in actual operation, it discriminates against domestic corporations who pay the full United States tax rate on every dollar of their income. A second consideration is that the existence of the preference, while perhaps helpful to investors in some of the less developed countries, gives, in the aggregate, a much greater tax advantage to investment in the highly industrialized areas of the free world. In this regard, the Treasury estimates that application of the gross up amendment to dividends of all foreign subsidiaries (assuming no significant change in their dividend policies) would increase the revenues by about $46 million a year. Of this amount, approximately $31 million would be attributable to dividends from the more developed countries, and the balance of $15 million, from the less developed areas.

matter of tax policy and must be justified, if at all, on other policy grounds. Moreover, if H. R. 5 should become law, enactment of the pending bills would serve to reduce somewhat the tax advantages now available to the foreign subsidiary as compared to the new class of domestic corporation which would be authorized under H. R. 5.

The second possible alternative available to the Committee would be to do nothing, as has been suggested by some who oppose enactment of the gross up amendment. Those favoring this approach note that the present method of computing the foreign tax credit for dividends from a foreign subsidiary has been in the law for more than 40 years. Domestic corporations investing abroad are said to have relied upon the continuance of this provision which, in effect, grants preferential tax rates to the foreign subsidiary form of operation.

It is also noted that enactment of H. R. 10859 or H. R. 10860 will increase the taxes of American businessmen investing abroad and, it is claimed, may place them in a disadvantageous competitive position vis-a-vis their foreign competitors.

In any case, it is asserted that the increase in taxes on foreign subsidiary operations which would result under the proposed legislation may tend to discourage foreign investment, particularly in the less developed countries where it is said tax rates are more likely to be sufficiently low to maximize the benefits under section 902.

28

taxpayers in this country would seem to require that income earned abroad be taxed at the same rate as income earned in this country.

At least four possible alternative approaches would appear to be open to the Committee. These are:

(1) Enact H. R. 10859 or its companion bill, H. R. 10860, thereby eliminating the doubling up of the deduction and credit for the same foreign taxes where American enterprises operate abroad through foreign subsidiaries.

(2) Leave present law unchanged, as has been suggested by some who oppose enactment of the gross up amendment.

(3) Extend the preferential treatment now applicable to income earned through foreign subsidiaries to income earned through branch operations.

(4) Enact H. R. 10859 or its companion bill, H. R. 10860, together with a direct and uniform reduction in the rate of tax on foreign income.

I would now like to comment briefly on these four possible approaches.

The first approach, which is to enact the bills which are the subject of this hearing, would eliminate the doubling up of the deduction and credit for the same foreign taxes where American enterprises operate abroad through foreign subsidiaries. The preferential tax rates now accorded income earned abroad through foreign subsidiaries appear to have little or no rational foundation as a

29

chain of two subsidiaries. Thus, where a dividend paid by a foreign subsidiary comes from a distribution which it in turn has received from its own foreign subsidiary, the combined United States and foreign tax burden may be as low as 40.18 percent.

In broad terms, the issue before your Committee in connection with H.R. 10859 and H.R. 10860 is whether to equalize the effective tax rate imposed on income derived from abroad through a foreign subsidiary with the rate applied to such income when earned by a branch of a domestic corporation. As mentioned earlier, in August of last year your Committee tentatively concluded that the ultimate level of the combined foreign and United States tax on repatriated foreign income should be the same, whether the corporate form used to conduct operations abroad involved domestic or foreign incorporation. Your Committee also tentatively decided that the way to accomplish this was by adoption of the "gross up" amendment across the board. As you know, the Treasury did not recommend this change in the foreign tax credit computation in its report to the Committee on H. R. 5, but the Treasury has supported the Committee's tentative decision in this area. Certainly it is difficult for us to find fault in theory with the general principle that the tax rate applicable to income received by American firms operating abroad should generally be the same, without regard to form of organization. In like fashion, in the absence of overriding public policy considerations, tax neutrality and the general principle of fairness to

foreign subsidiaries under the present foreign tax credit formula are not fixed, but depend upon the level of foreign taxes, as applied country by country. The foreign income tax rate which produces the maximum benefit for an American corporation is 26 percent. When the foreign tax rate is at this level, the combined United States and foreign tax rate on $100 of profits earned abroad and distributed by a foreign subsidiary is 45.24 percent. As the foreign tax rate goes below 26 percent, the combined foreign and domestic tax rate increases until, with a zero foreign tax, the combined effective rate would, of course, equal the United States tax rate of 52 percent. By the same token, as the foreign tax rate increases and approaches 52 percent, the tax benefit to be derived through the foreign tax credit from the use of a foreign subsidiary declines. When the foreign rate reaches or exceeds the United States rate, no tax benefit is derived. If plotted on a chart, having as its base the tax rates abroad varying from zero to 52 percent, the tax advantages flowing from the foreign tax credit would form a curve, with the high point reached at the 26 percent foreign tax rate, assuming a domestic rate of 52 percent. This is the so-called "Doppler effect" in the mathematics of the computation, referred to by Mr. Donald H. Gleason in his paper submitted in connection with the recent tax revision hearings of your Committee.

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as you know, the United States tax on this smaller tax base is postponed until the foreign profits are distributed as dividends to the American parent corporation. As a result, present law, in effect, allows the American parent both a deduction and a credit for foreign taxes imposed on the profits of its foreign subsidiary. This comes about from an apparently unintended defect in the statute in allowing to a domestic corporation a credit for foreign taxes paid by its foreign subsidiary without also including in the parent's income the amount of tax which is creditable.

The basic provision of the Internal Revenue Code containing this formula has been in the tax law since 1918. As noted previously, the double allowance permitted under existing law, where operations are carried on abroad through foreign subsidiaries, in many cases results in a much lower combined effective rate (foreign and domestic) on income earned abroad than the present 52 percent United States tax rate. The basic principle of the foreign tax credit, however, is that in no case will the taxpayer pay a combined tax on foreign income in an amount less than the United States tax rate. Consistent with the latter principle, a domestic corporation operating abroad directly through a branch does not receive the benefit of a deduction for foreign taxes in computing its credit and therefore the combined effective tax rate on the branch profits is never less than 52 percent.

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Ten members of the Committee, however, called attention in the report to the fact that if H. R. 5 were enacted and the "gross up" requirement were made applicable only to foreign business corporations, the bill would, in fact, discriminate against the foreign business corporation and in favor of continued operations abroad by American investors through foreign corporations. These members urged that the Committee hold public hearings on the application of the "gross up" principle with respect to both foreign business corporations and all foreign subsidiaries.

On March 2, 1960, Chairman Mills announced that he had introduced H. R. 10859, and Mr. Mason, H. R. 10860, to carry out the decision of the Committee to deal as a separate matter with the so-called "gross up" amendment to the foreign tax credit insofar as applicable to dividends received by domestic corporations (other than foreign business corporations) from their foreign subsidiaries. The Chairman also announced that the Committee would hold public hearings on these identical bills.

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tax thereon of $40, and declared a dividend of the remaining $60 to its United States parent, the latter would report dividend income of $100 (rather than $60). The United States tax before the foreign tax credit would be $52, the credit would be $40, and the net tax payable to the United States would be $12. The combined effective tax rate would be 52 percent.

The Committee has recently considered the problem which the above examples illustrate in connection with H. R. 5, the Foreign Investment Incentive Act of 1960. In a press release relating to this bill, dated August 19, 1959, the Committee announced that it had decided to eliminate the duplication of a deduction and a credit for foreign taxes for both domestic corporations qualifying under the bill as foreign business corporations and for foreign subsidiaries generally. In a press release dated January 21, 1960, however, the Committee indicated that it had reconsidered its decision and had removed from the amended bill the provision dealing with the so-called gross up of foreign taxes, except in the case of foreign business corporations and their subsidiaries.

The "gross up" provisions were retained in the case of foreign business corporations, according to the report of the Committee on H. R. 5, to "give assurance that the granting of tax deferral will not decrease the ultimate level of combined foreign and United States tax on this foreign income of these domestic corporations below the level of taxation generally applicable to other domestic corporations

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Another domestic corporation, operating in Country X through a foreign subsidiary, earns $100 and pays a tax of $40 on this income. The foreign subsidiary pays its United States parent corporation the balance of $60 as a dividend, and the United States company reports as income only this amount, which is, in effect, after deduction of the foreign taxes. The United States tax of 52 percent on foreign dividends of $60 would be $31.20. However, the parent is also deemed under existing law to have paid a ratable share of the foreign tax paid by its subsidiary for purposes of the foreign tax credit. Under the formula in section 902, it is allowed a foreign tax credit equal to 60 percent of the foreign tax, or $24. After offset by this credit, the net tax owed to the United States is only $7.20. The combined United States and foreign tax in this situation is therefore $47.20, or in terms of the combined effective tax rate, 47.2 percent. This rate advantage is increased where a chain of two foreign subsidiaries is used, so that the combined United States and foreign rates may, in some circumstances, be as low as 40.18 percent.

The bills now before you would eliminate the above tax advantage in the case of income earned by a foreign subsidiary by "grossing up" its dividend payments by the amount of foreign tax attributable to the dividend. Thus, if the subsidiary earned $100, paid a foreign

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 H. R. 10859 AND H. R. 10860, 10:00 A.M., APRIL 11, 1960

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I appreciate the opportunity to be here today to comment on H. R. 10859 and its companion bill, H. R. 10860, which would amend section 902 of the Internal Revenue Code of 1954 by providing for the so-called "gross up" of foreign taxes allowed as a credit in the case of a domestic corporation receiving dividends from its foreign subsidiary. The amendment is designed to equalize the tax treatment of income derived from abroad in the form of dividends from a foreign subsidiary with that accorded income derived from direct operations abroad through a branch of a domestic corporation. In effect, these bills would deny the dividend recipient the allowance of both a deduction and a credit for the same foreign taxes paid by the foreign subsidiary.

The problem before the Committee today can be illustrated by the following simple example:

A domestic corporation, operating in Country X through a branch, earns $100 which is taxed by X at a 40 percent rate. The United States would impose a tax of 52 percent on the corporate income of $100, and would allow a foreign tax credit of $40, leaving a net liability of $12

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chain of two subsidiaries. Thus, where a dividend paid by a foreign subsidiary comes from a distribution which it in turn has received from its own foreign subsidiary, the combined United States and foreign tax burden may be as low as 40.18 percent.

In broad terms, the issue before your Committee in connection with H.R. 10859 and H.R. 10860 is whether to equalize the effective tax rate imposed on income derived from abroad through a foreign subsidiary with the rate applied to such income when earned by a branch of a domestic corporation. As mentioned earlier, in August of last year your Committee tentatively concluded that the ultimate level of the combined foreign and United States tax on repatriated foreign income should be the same, whether the corporate form used to conduct operations abroad involved domestic or foreign incorporation. Your Committee also tentatively decided that the way to accomplish this was by adoption of the "gross up" amendment across the board. As you know, the Treasury did not recommend this change in the foreign tax credit computation in its report to the Committee on H. R. 5, but the Treasury has supported the Committee's tentative decision in this area. Certainly it is difficult for us to find fault in theory with the general principle that the tax rate applicable to income received by American firms operating abroad should generally be the same, without regard to form of organization. In like fashion, in the absence of overriding public policy considerations, tax neutrality and the general principle of fairness to

taxpayers in this country would seem to require that income earned abroad be taxed at the same rate as income earned in this country.

At least four possible alternative approaches would appear to be open to the Committee. These are:

(1) Enact H. R. 10859 or its companion bill, H. R. 10860, thereby eliminating the doubling up of the deduction and credit for the same foreign taxes where American enterprises operate abroad through foreign subsidiaries.

(2) Leave present law unchanged, as has been suggested by some who oppose enactment of the gross up amendment.

(3) Extend the preferential treatment now applicable to income earned through foreign subsidiaries to income earned through branch operations.

(4) Enact H. R. 10859 or its companion bill, H. R. 10860, together with a direct and uniform reduction in the rate of tax on foreign income.

I would now like to comment briefly on these four possible approaches.

The first approach, which is to enact the bills which are the subject of this hearing, would eliminate the doubling up of the deduction and credit for the same foreign taxes where American enterprises operate abroad through foreign subsidiaries. The preferential tax rates now accorded income earned abroad through foreign subsidiaries appear to have little or no rational foundation as a

matter of tax policy and must be justified, if at all, on other policy grounds. Moreover, if H. R. 5 should become law, enactment of the pending bills would serve to reduce somewhat the tax advantages now available to the foreign subsidiary as compared to the new class of domestic corporation which would be authorized under H. R. 5.

The second possible alternative available to the Committee would be to do nothing, as has been suggested by some who oppose enactment of the gross up amendment. Those favoring this approach note that the present method of computing the foreign tax credit for dividends from a foreign subsidiary has been in the law for more than 40 years. Domestic corporations investing abroad are said to have relied upon the continuance of this provision which, in effect, grants preferential tax rates to the foreign subsidiary form of operation.

It is also noted that enactment of H. R. 10859 or H. R. 10860 will increase the taxes of American businessmen investing abroad and, it is claimed, may place them in a disadvantageous competitive position vis-a-vis their foreign competitors.

In any case, it is asserted that the increase in taxes on foreign subsidiary operations which would result under the proposed legislation may tend to discourage foreign investment, particularly in the less developed countries where it is said tax rates are more likely to be sufficiently low to maximize the benefits under section 902.

Finally, it is suggested that the "grossing up" amendment, if applicable to foreign subsidiaries generally, may raise a problem in connection with certain of this country's tax treaties, which appear to call for the allowance of a foreign tax credit under the United States law in effect at the time the treaties were negotiated.

While legitimate questions do arise as to the effect in various areas of the change in the foreign tax credit computation proposed in H. R. 10859 and H. R. 10860, several points should perhaps be noted in response to the arguments just mentioned. The first is that it is highly questionable whether the continuance of a tax preference is warranted where, in actual operation, it discriminates against domestic corporations who pay the full United States tax rate on every dollar of their income. A second consideration is that the existence of the preference, while perhaps helpful to investors in some of the less developed countries, gives, in the aggregate, a much greater tax advantage to investment in the highly industrialized areas of the free world. In this regard, the Treasury estimates that application of the gross up amendment to dividends of all foreign subsidiaries (assuming no significant change in their dividend policies) would increase the revenues by about $46 million a year. Of this amount, approximately $31 million would be attributable to dividends from the more developed countries, and the balance of $15 million, from the less developed areas.

As to the relationship of the "gross up" amendment upon existing treaty obligations, it is clear that if Congress desires to do so it can enact H. R. 10859 and H. R. 10860 without violating any treaty provisions. The problem in this area is that several existing treaties contain language which purports to freeze the existing tax credit provisions in the law. If the pending legislation is enacted, a question might arise as to whether the gross up amendment would apply to dividends paid by subsidiaries incorporated in perhaps as many as fourteen of the tax treaty countries. Most of the treaties in question, however, have a savings clause which expressly reserves to the United States the right to change its tax laws as they affect its own citizens, residents, and corporations without regard to any provision of the treaty. Furthermore, a good argument can be made that the gross up amendment merely involves the inclusion of the foreign tax in United States taxable income without disturbing or limiting the allowable foreign tax credit. As a matter of fact, the amendment would actually increase the dollar amount of the credit for taxes deemed paid by the foreign subsidiary.

Apart from these considerations, it is clear that enactment of H. R. 10859 and H. R. 10860 would not override any of our treaty obligations unless the Congress expressly indicates such an intention. Thus, if in any case it could be shown that the application of the gross up amendment would be contrary to a treaty obligation, the treaty provisions would prevail, in the absence of a clear

expression of intent to the contrary on the part of Congress. If this situation should arise, the treaties involved could, we are confident, be easily modified to accord with the change made in our tax law by enactment of the pending legislation.

The third possible way for the Committee to handle the present tax rate discrimination favoring the foreign subsidiary form of doing business abroad would be to extend the preferential tax rates (through amendment to the foreign tax credit provisions) to income earned abroad by domestic corporations, including the new foreign business corporation, should H. R. 5 be enacted. In other words, such an approach would require that the Committee reverse its decision announced on January 31, 1960, and remove the present limited "gross up" amendment from H. R. 5. While this approach would equalize the tax rate situation as between foreign subsidiary and branch operation abroad, it would, by continuing and enlarging this tax preference for foreign income, discriminate against taxpayers whose income is earned in this country.

The fourth possible approach, as I indicated above, is to enact H. R. 10859 or its companion bill, H. R. 10860, together with a direct and uniform reduction in the rate of tax on foreign income. If preferential tax rates for foreign income are considered desirable from the standpoint of foreign economic policy as a means of increasing investment abroad, it is at least questionable that the preference should depend upon and fluctuate with the level of and

changes in tax rates abroad on a country by country basis, or be limited in application to the foreign subsidiary form of operation. Instead, if upon full consideration, your Committee should determine that a rate reduction in this area is appropriate, it would appear more sound and equitable that it be granted on a uniform and predictable basis. It should be emphasized, however, that a reduction in the tax rate on foreign income must clearly serve the national interest in order to justify the discrimination against United States source income, as well as the resulting revenue loss. In the Treasury Department's report dated May 6, 1959 on H. R. 5, it was stated that a 14 percent reduction in tax on foreign income, as provided in section 4 of the bill as introduced, would have produced a revenue loss of approximately $200 million. Because of the large revenue loss and because of the doubtful effect of rate reduction as an incentive for the expansion of American business abroad, the Treasury Department, as you know, was opposed to section 4 of H. R. 5.

To summarize, the Committee decided last August that the duplication of the deduction and credit now allowed with respect to foreign taxes attributable to dividends received from foreign subsidiaries should be eliminated. The Treasury supported the Committee's decision. Because of the protests on the part of the taxpayers investing abroad through foreign corporations to a change adversely affecting them without giving them an adequate opportunity to be heard,

the Committee announced that it would consider the so-called "gross up" amendment as a separate matter and has scheduled these public hearings. The argument most commonly made by those who oppose a change in the existing tax rate preference accorded foreign subsidiary operations is that discontinuance of the preference, by increasing the United States tax on foreign income when repatriated, may to some extent tend to discourage investment which might otherwise have been made in the less developed countries. Whether or not arguments of this type will be sufficiently persuasive to override the apparent need for a change in the formula for computing the foreign tax credit in order to put it on a sound and consistent basis may well depend upon the facts presented by other witnesses at these hearings.

The Treasury would welcome the opportunity to cooperate with the Committee and its staff in the further development of appropriate legislation after studying the testimony and submission of the witnesses in these hearings.

50 A-808

RELEASE A. M. NEWSPAPERS,
Tuesday, April 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 January 14, 1960, and the other series to be dated April 14, 1960, which were offered on April 7, were opened at the Federal Reserve Banks on April 11. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 July 14, 1960		182-day Treasury bills maturing October 13, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.115 a/	3.501%	98.124 b/	3.711%
Low	99.069	3.683%	97.952	4.051%
Average	99.084	3.622% 1/	98.052	3.854% 1/

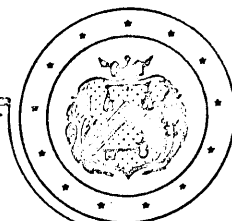
a/ Excepting three tenders totaling $382,000; b/ Excepting one tender of $10,000
62 percent of the amount of 91-day bills bid for at the low price was accepted
32 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 26,447,000	$ 16,447,000	$ 3,979,000	$ 3,979,000
New York	1,286,541,000	728,841,000	473,005,000	344,605,000
Philadelphia	27,829,000	27,829,000	8,451,000	8,451,000
Cleveland	48,924,000	40,924,000	9,969,000	9,969,000
Richmond	10,055,000	10,055,000	1,014,000	1,014,000
Atlanta	21,942,000	20,542,000	3,974,000	3,974,000
Chicago	193,980,000	131,980,000	80,502,000	58,502,000
St. Louis	21,244,000	20,244,000	11,243,000	11,243,000
Minneapolis	10,714,000	9,514,000	2,008,000	2,008,000
Kansas City	32,335,000	31,835,000	8,383,000	8,383,000
Dallas	15,748,000	15,748,000	3,969,000	3,969,000
San Francisco	50,112,000	46,112,000	43,927,000	43,927,000
TOTALS	$1,745,871,000	$1,100,071,000 c/	$650,424,000	$500,024,000 d/

c/ Includes $226,005,000 noncompetitive tenders accepted at the average price of 99.084
d/ Includes $42,924,000 noncompetitive tenders accepted at the average price of 98.052
1/ Average rate on a coupon issue equivalent yield basis is 3.71% for the 91-day bills and 3.99% 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



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Boston	$ 26,447,000	$ 16,447,000	$ 3,979,000	$ 3,979,000
New York	1,286,541,000	728,841,000	473,005,000	344,605,000
Philadelphia	27,829,000	27,829,000	8,451,000	8,451,000
Cleveland	48,924,000	40,924,000	9,969,000	9,969,000
Richmond	10,055,000	10,055,000	1,014,000	1,014,000
Atlanta	21,942,000	20,542,000	3,974,000	3,974,000
Chicago	193,980,000	131,980,000	80,502,000	58,502,000
St. Louis	21,244,000	20,244,000	11,243,000	11,243,000
Minneapolis	10,714,000	9,514,000	2,008,000	2,008,000
Kansas City	32,335,000	31,835,000	8,383,000	8,383,000
Dallas	15,748,000	15,748,000	3,969,000	3,969,000
San Francisco	50,112,000	46,112,000	43,927,000	43,927,000
TOTALS	$1,745,871,000	$1,100,071,000 c/	$650,424,000	$500,024,000 d/

c/ Includes $226,005,000 noncompetitive tenders accepted at the average price of 99.084
d/ Includes $42,924,000 noncompetitive tenders accepted at the average price of 98.052
1/ Average rate on a coupon issue equivalent yield basis is 3.71% for the 91-day bills and 3.99% 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.

52 A-809

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

The Treasury Department announced last evening that the tenders for $2,000,000,000, or thereabouts, of 365-day Treasury bills to be dated April 15, 1960, and to mature April 15, 1961, which were offered on April 7, were opened at the Federal Reserve Banks on April 12.

The details of this issue are as follows:

Total applied for - $2,856,156,000
Total accepted - 2,000,115,000 (includes $111,356,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting four tenders totaling $116,000)

High	- 95.500	Equivalent rate of discount approx.	4.438%	per annum
Low	- 95.194	" " " " "	4.740%	" "
Average	- 95.328	" " " " "	4.608%	" " 1/

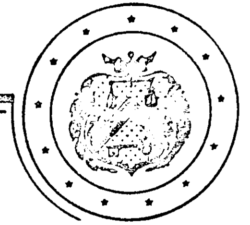
(12 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 44,590,000	$ 41,090,000
New York	2,248,002,000	1,527,677,000
Philadelphia	45,301,000	20,301,000
Cleveland	103,318,000	72,268,000
Richmond	16,559,000	14,059,000
Atlanta	10,962,000	10,862,000
Chicago	206,907,000	172,507,000
St. Louis	8,818,000	7,798,000
Minneapolis	8,341,000	6,177,000
Kansas City	21,509,000	17,749,000
Dallas	13,055,000	10,855,000
San Francisco	128,794,000	98,772,000
TOTAL	$2,856,156,000	$2,000,115,000

1/ Average rate on a coupon issue equivalent yield basis is 4.84% 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.

Work

TREASURY DEPARTMENT



WASHINGTON, D.C.

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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 21, 1960, (91 days remaining until maturity date on July 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 April 21, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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

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56

A-810

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, April 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 April 21, 1960 , in the amount of $ 1,400,525,000 , as follows:

91 -day bills (to maturity date) to be issued April 21, 1960 , in the amount of $ 1,000,000,000 , or thereabouts, representing an additional amount of bills dated January 21, 1960 , and to mature July 21, 1960 , originally issued in the amount of $ 400,228,000 , the additional and original bills to be freely interchangeable.

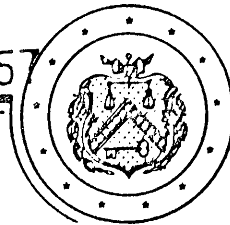
182 -day bills, for $ 400,000,000 , or thereabouts, to be dated April 21, 1960 , and to mature October 20, 1960 .

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 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 57

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 21, 1960, (91 days remaining until maturity date on July 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 April 21, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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.

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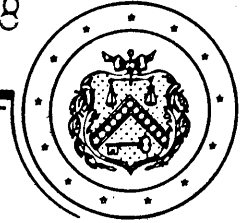
TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE, Wednesday, April 13, 1960. A-811

The Treasury Department today announced the subscription and allotment figures with respect to the cash offering of up to $1-1/2 billion of 4-1/4% Treasury Bonds of 1975-85, all of which subscriptions were accepted in full. The bonds are dated April 5, 1960, and will mature May 15, 1985, unless they are called for redemption at the option of the United States on any interest date on or after May 15, 1975. In addition to the amount allotted to the public, $100 million of these bonds were allotted to Government investment accounts.

On the companion cash offering of $2 billion, or thereabouts, of 4% Treasury Notes of Series E-1962, to be dated April 14, 1960, and to mature May 15, 1962, subscriptions in excess of $100,000 were allotted 30 percent, but not less than $100,000 on any one subscription, and subscriptions for $100,000 or less were allotted in full. In addition to the amount allotted to the public, $27,400,000 of these notes were allotted to Government investment accounts.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	TREASURY BONDS OF 1975-85 Total Subscriptions Received & Allotted	TREASURY NOTES OF SERIES E-1962 Total Subscriptions Received	Total Allotments
Boston	$ 38,489,500	$ 411,497,000	$ 132,640,000
New York	128,693,000	2,704,844,000	827,521,000
Philadelphia	14,424,500	296,591,000	97,328,000
Cleveland	8,550,000	541,253,000	173,337,000
Richmond	19,442,500	212,120,000	73,045,000
Atlanta	15,977,000	239,257,000	85,675,000
Chicago	44,865,000	903,401,000	306,198,000
St. Louis	7,742,000	198,316,000	74,703,000
Minneapolis	5,805,500	122,082,000	50,407,000
Kansas City	11,411,500	208,144,000	82,093,000
Dallas	22,056,000	321,414,000	106,400,000
San Francisco	52,031,500	556,054,000	174,001,000
Treasury	46,000	34,000	34,000
Govt.Inv.Accts.	100,000,000	- -	27,400,000
Totals	$469,534,000	$6,715,007,000	$2,210,782,000

Allotments by investor classes for the bonds were as follows:

Savings-type	$186,149,500
Commercial banks . . .	87,303,000
All others	96,081,500
Total	$369,534,000
Govt. Inv. Accts. . .	100,000,000
Grand Total .	$469,534,000

Commodity	Period and Quantity		Unit of Quantity	Imports as of April 2, 1960
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	538,44
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.......................	Feb. 1, 1960 - Oct. 31, 1960			
	Argentina	17,958,321	Pound	3,616,22
	Paraguay	2,223,000	Pound	Quota Fill
	Other Countries	704,382	Pound	155,80

*Imports through April 11, 1960.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

60

FRIDAY, APRIL 15, 1960

A-812

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 April 2, 1960, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of April 2, 1960
Tariff-Rate Quotas:				
Cream, fresh or sour...........	Calendar Year	1,500,000	Gallon	23
Whole milk, fresh or sour......	Calendar Year	3,000,000	Gallon	53
Cattle, 700 lbs. or more each (other than dairy cows).......	January 1, 1960 - March 31, 1960	120,000	Head	26,159
	April 1, 1960 - June 30, 1960	120,000	Head	114
Cattle, less than 200 lbs. ea..	12 mos. from April 1, 1959	200,000	Head	33,953
	12 mos. from April 1, 1960	200,000	Head	246
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	36,533,173	Pound	12,485,211 1/
Tuna fish.....................	Calendar Year	53,448,330	Pound	8,581,279
White or Irish potatoes:				
Certified seed...............	12 mos. from Sept. 15, 1959	114,000,000	Pound	47,708,540
Other........................		36,000,000	Pound	3,699,608
Walnuts.......................	Calendar Year	5,000,000	Pound	2,068,690
Peanut oil....................	12 mos. from July 1, 1959	80,000,000	Pound	423
Woolen fabrics................	Calendar Year	13,500,000	Pound	Quota filled
Woolen fabrics - Pres. Proc. 3285 and 3317 (T. Ds. 54845 and 54955)......	March 7 - December 31, 1960	350,000	Pound	109,998
Stainless steel table flatware (table knives, table forks, table spoons)................	Nov. 1, 1959 - Oct. 31, 1960	69,000,000	Pieces	50,262,200

1/ Imports for consumption at the quota rate are limited to 18,266,586 pounds during the first six months of the calendar year.

(over)

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, APRIL 15, 1960 — A-812

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(over)

Commodity	Period and Quantity		Unit of Quantity	Imports as of April 2, 1960
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	538,440
Rye, rye flour, and rye meal....	Sept. 1, 1959 - June 30, 1960			
	Canada	75,851,741	Pound	50,636,215
	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......................	Feb. 1, 1960 - Oct. 31, 1960			
	Argentina	17,958,321	Pound	3,616,22
	Paraguay	2,223,000	Pound	Quota Fille
	Other Countries	704,382	Pound	155,80

*Imports through April 11, 1960.

5753

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, APRIL 15, 1960.

A-813

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 4, 1960 - March 31, 1960

IMPORTS - January 4, 1960 - March 31, 1960

Country of Production	ITEM 391		ITEM 392		ITEM 393		ITEM 394	
	Lead-bearing ores, flue dust, and mattes		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.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		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	5,439,901
Belgium and Luxemburg (total)	-		-		-		7,520,000	3,973,343
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	36,867,123	70,480,000	70,480,000	6,320,000	6,319,957
Peru	16,160,000	16,160,000	12,880,000	12,877,509	35,120,000	35,120,000	3,760,000	3,759,949
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	15,760,000	-		-	
All other foreign countries (total)	6,560,000	6,560,000	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, APRIL 15, 1960.

A-813

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Country of Production	ITEM 391		ITEM 392		ITEM 393		ITEM 394	
	Lead-bearing ores, flue dust, and mattes		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.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		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	5,439,901
Belgium and Luxemburg (total)	-		-		-		7,520,000	3,973,343
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	36,867,123	70,480,000	70,480,000	6,320,000	6,319,957
Peru	16,160,000	16,160,000	12,880,000	12,877,509	35,120,000	35,120,000	3,760,000	3,759,949
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	15,760,000	-		-	
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, APRIL 15, 1960.

A-814

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 - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - April 12, 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 (Pounds)	Quarterly Quota Dutiable Lead (Pounds)	Imports (Pounds)	Quarterly Quota Dutiable Zinc (Pounds)	Imports (Pounds)	Quarterly Quota By Weight (Pounds)	Imports (Pounds)
Australia	10,080,000	9,752,328	23,680,000	8,875,639	-		-	
Belgian Congo	-		-		-		5,440,000	-
Belgium and Luxemburg (total)	-		-		-		7,520,000	224,000
Bolivia	5,040,000	2,901,914	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	1,410,707	66,480,000	42,310,923	37,840,000	5,289,241
Italy	-		-		-		3,600,000	1,351,056
Mexico	-		36,880,000	2,472,072	70,480,000	16,119,276	6,320,000	-
Peru	16,160,000	2,939,833	12,880,000	799,135	35,120,000	3,283,211	3,760,000	599,813
Un. So. Africa	14,880,000	8,109,000	-		-		-	
Yugoslovia	-		15,760,000	893,491	-		-	
All other foreign countries (total)	6,560,000	885,797	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	1,563,029

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

65

IMMEDIATE RELEASE

FRIDAY, APRIL 15, 1960.

A-814

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 - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - April 12, 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	9,752,328	23,680,000	8,875,639	-		-	
Belgian Congo	-		-		-		5,440,000	-
Belgium and Luxemburg (total)	-		-		-		7,520,000	224,000
Bolivia	5,040,000	2,901,914	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	1,410,707	66,480,000	42,310,923	37,840,000	5,289,241
Italy	-		-		-		3,600,000	1,351,056
Mexico	-		36,880,000	2,472,072	70,480,000	16,119,276	6,320,000	-
Peru	16,160,000	2,939,833	12,880,000	799,135	35,120,000	3,283,211	3,760,000	599,813
Un. So. Africa	14,880,000	8,109,000	-		-		-	
Yugoslavia	-		15,760,000	893,491	-		-	
All other foreign countries (total)	6,560,000	885,797	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	1,563,029

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 April 12, 1960	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1959 to April 12, 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.

5755

TREASURY DEPARTMENT
Washington, D. C.

67

MMEDIATE RELEASE
RIDAY, APRIL 15, 1960.

A-815

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 - April 12, 1960

ountry of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
gypt and the Anglo-Egyptian Sudan	783,816	-	Honduras	752	752
eru	247,952	-	Paraguay	871	-
itish India	2,003,483	19,908	Colombia	124	124
ina	1,370,791	-	Iraq	195	-
xico	8,883,259	8,883,259	British East Africa ...	2,240	-
azil	618,723	618,000	Netherlands E. Indies .	71,388	-
ion of Soviet Socialist Republics ...	475,124	-	Barbados	-	-
gentina	5,203	-	1/Other British W. Indies	21,321	-
iti	237	-	Nigeria	5,377	-
uador	9,333	-	2/Other British W. Africa	16,004	-
			3/Other French Africa ...	689	-
			Algeria and Tunisia ...	-	-

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

Cotton 1-1/8" or more
Imports August 1, 1959 - April 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, APRIL 15, 1960.

A-815

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 - April 12, 1960

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Egypt and the Anglo-Egyptian Sudan	783,816	-	Honduras	752	752
Peru	247,952	-	Paraguay	871	-
British India	2,003,483	19,908	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 ...	-	-

Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
Other than Gold Coast and Nigeria.
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1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	1,500,000
1-1/8" or more and under		

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:

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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, APRIL 15, 1960.

A-816

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to April 2, 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 April 2, 1960
Buttons............	765,000	Gross	59,078
Cigars.............	180,000,000	Number	822,345
Coconut Oil........	403,200,000	Pound	27,770,228
Cordage............	6,000,000	Pound	1,072,821
Sugars (Refined.....	1,904,000,000	Pound	18,122,000*
Sugars (Unrefined...			604,624,000*
Tobacco............	5,850,000	Pound	3,807,549

* Information furnished by Department of Agriculture.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, APRIL 15, 1960.

A-816

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Sugars (Refined.....	1,904,000,000	Pound	18,122,000*
Sugars (Unrefined...			604,624,000*
Tobacco............	5,850,000	Pound	3,807,549

* Information furnished by Department of Agriculture.

5788

STATUTORY DEBT LIMITATION

AS OF MARCH 31, 1960

TREASURY DEPARTMENT
Fiscal Service

Washington, Apr. 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	$37,153,023,000		
Certificates of indebtedness	15,237,810,000		
Treasury notes	48,283,550,000	$100,674,383,000	
Bonds-			
Treasury	84,713,069,850		
Savings (current redemp. value)	47,753,887,035		
Depositary	171,349,500		
Investment series	7,152,331,000	139,790,637,385	
Special Funds-			
Certificates of indebtedness	8,042,864,000		
Treasury notes	10,636,238,000		
Treasury bonds	24,578,110,000	43,257,212,000	
Total interest-bearing		283,722,232,385	
Matured, interest-ceased		459,761,550	
Bearing no interest:			
United States Savings Stamps	53,885,081		
Excess profits tax refund bonds	799,952		
Special notes of the United States:			
Internat'l Monetary Fund series	2,181,000,000	2,235,685,033	
Total		286,417,678,968	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A.	137,759,800		
Matured, interest-ceased	551,725	138,311,525	
Grand total outstanding			286,555,990,493
Balance face amount of obligations issuable under above authority			8,444,009,507

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

(Daily Statement of the United States Treasury, March 31, 1960)
(Date)

Outstanding-	
Total gross public debt	286,826,484,743
Guaranteed obligations not owned by the Treasury	138,311,525
Total gross public debt and guaranteed obligations	286,964,796,268
Deduct - other outstanding public debt obligations not subject to debt limitation	408,805,775
	286,555,990,493

A-817

STATUTORY DEBT LIMITATION

AS OF MARCH 31, 1960

72

TREASURY DEPARTMENT
Fiscal Service

Washington, Apr. 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.

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Total gross public debt and guaranteed obligations	286,964,796,268
Deduct - other outstanding public debt obligations not subject to debt limitation	408,805,775
	286,555,990,493

A-817

April 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 March 1960:

Purchases	$43,695,000.00
Sales	613,500.00
NET PURCHASES . . .	$43,081,500.00

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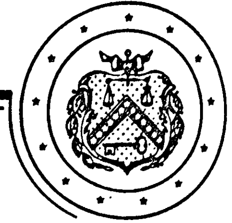
TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE,
~~Tuesday, March 15, 1960.~~
Friday, April 15, 1960

A-~~787~~
A-818

During ~~February~~ March 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~~ $43,081,500.

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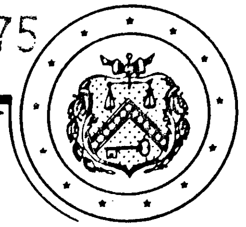
TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE,
Friday, April 15, 1960.

A-818

During March 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 $43,081,500.

oOo

76 A-819

RELEASE A. M. NEWSPAPERS, Tuesday, April 19, 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 January 21, 1960, and the other series to be dated April 21, 1960, which were offered on April 14, were opened at the Federal Reserve Banks on April 18. 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 July 21, 1960		182-day Treasury bills maturing October 20, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.177	3.256%	98.137 a/	3.685%
Low	99.156	3.339%	98.118	3.723%
Average	99.164	3.306% 1/	98.127	3.705% 1/

a/ Excepting one tender of $50,000
30 percent of the amount of 91-day bills bid for at the low price was accepted
61 percent of the amount of 182-day bills bid for at the low price was accepted

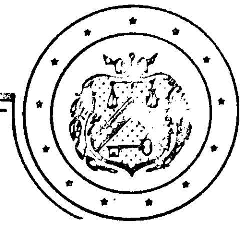
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 31,130,000	$ 19,138,000	$ 4,677,000	$ 4,577,000
New York	1,231,709,000	635,262,000	559,323,000	300,878,000
Philadelphia	29,539,000	14,539,000	8,310,000	2,580,000
Cleveland	39,956,000	30,609,000	13,652,000	8,052,000
Richmond	14,853,000	12,287,000	5,109,000	4,809,000
Atlanta	23,181,000	21,031,000	6,130,000	4,199,000
Chicago	208,748,000	123,578,000	92,179,000	29,419,000
St. Louis	28,040,000	21,173,000	3,203,000	3,203,000
Minneapolis	10,766,000	9,376,000	3,125,000	1,625,000
Kansas City	37,000,000	33,290,000	10,075,000	5,860,000
Dallas	20,371,000	20,271,000	5,401,000	5,401,000
San Francisco	79,034,000	59,477,000	37,629,000	29,518,000
TOTALS	$1,754,327,000	$1,000,031,000 b/	$748,813,000	$400,121,000 c/

b/ Includes $251,481,000 noncompetitive tenders accepted at the average price of 99.164
c/ Includes $48,621,000 noncompetitive tenders accepted at the average price of 98.127
1/ Average rate on a coupon issue equivalent yield basis is 3.38% for the 91-day bills and 3.83% 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

77



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, April 19, 1960. A-819

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 January 21, 1960, and the other series to be dated April 21, 1960, which were offered on April 14, were opened at the Federal Reserve Banks on April 18. 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 July 21, 1960		182-day Treasury bills maturing October 20, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.177	3.256%	98.137 a/	3.685%
Low	99.156	3.339%	98.118	3.723%
Average	99.164	3.306% 1/	98.127	3.705% 1/

a/ Excepting one tender of $50,000
30 percent of the amount of 91-day bills bid for at the low price was accepted
61 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	$ 31,130,000	$ 19,138,000	$ 4,677,000	$ 4,577,000
New York	1,231,709,000	635,262,000	559,323,000	300,878,000
Philadelphia	29,539,000	14,539,000	8,310,000	2,580,000
Cleveland	39,956,000	30,609,000	13,652,000	8,052,000
Richmond	14,853,000	12,287,000	5,109,000	4,809,000
Atlanta	23,181,000	21,031,000	6,130,000	4,199,000
Chicago	208,748,000	123,578,000	92,179,000	29,419,000
St. Louis	28,040,000	21,173,000	3,203,000	3,203,000
Minneapolis	10,766,000	9,376,000	3,125,000	1,625,000
Kansas City	37,000,000	33,290,000	10,075,000	5,860,000
Dallas	20,371,000	20,271,000	5,401,000	5,401,000
San Francisco	79,034,000	59,477,000	37,629,000	29,518,000
TOTALS	$1,754,327,000	$1,000,031,000 b/	$748,813,000	$400,121,000 c/

b/ Includes $251,481,000 noncompetitive tenders accepted at the average price of 99.164
c/ Includes $48,621,000 noncompetitive tenders accepted at the average price of 98.127
1/ Average rate on a coupon issue equivalent yield basis is 3.38% for the 91-day bills and 3.83% 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.

5839

April 18, 1960

Dear Lew:

Your letter of April 14, 1960, advising of your resignation as First Deputy Comptroller of the Currency is received with very mixed feelings. I am delighted that you are to go to a most challenging position with one of our outstanding national banks as I know that you will make a fine contribution to that institution and will be highly successful in your new work. Therefore, I offer sincere congratulations on the fine recognition and opportunity which has come to you.

At the same time, like everyone in this office and I am sure in the Treasury as a whole, we feel deep regret that you are to leave us. You have served the office effectively and well over more than thirty years. I am particularly familiar with the record of the past seven years which covers the term of my service as Comptroller of the Currency. You have done great quantities of work intelligently and faithfully and have made a great contribution to the Office of the Comptroller of the Currency. Your activities have been in all respects outstanding and have gained for you the high respect of everyone. When you leave to assume your new position you will carry with you our respect, admiration and affection.

I must add to this an expression of the very great obligation I feel to you personally for the way in which you have helped me in the discharge of my duties. You have been truly a stalwart and true friend and associate. You deserve every word of praise that I can find to describe your performance.

With my best wishes for a happy and successful career in your new connection, I am,

Sincerely yours,

/s/ R. M. Gidney

Ray M. Gidney
Comptroller of the Currency

Mr. L. A. Jennings
First Deputy Comptroller
of the Currency
Comptroller of the Currency
Washington, D. C.

5839

April 14, 1960

My dear Mr. Secretary:

The attached copy of a letter to Mr. Ray M. Gidney, Comptroller of the Currency, contains my resignation as First Deputy Comptroller of the Currency effective commencing May 16, 1960. At that time I shall join the Republic National Bank of Dallas, Texas as a Senior Vice President.

It has been a very real privilege and pleasure to serve under your general supervision as Secretary of the Treasury since July 29, 1957. On numerous occasions as an Assistant Chief National Bank Examiner and later as a Deputy Comptroller of the Currency, I have worked with Texas bankers on various banking matters and problems. They have so uniformly represented the very best in American banking that I have come to expect an extra measure of ability to be possessed by all Texans. You have more than upheld the tradition and I have profited through serving under you.

If, at any time, you believe that I can be of service to you, please call on me. You may rest assured that I shall do my level best to become worthy of the Texas tradition I have mentioned.

Sincerely yours,

/s/ L.A. Jennings
L. A. Jennings
Deputy Comptroller of the Currency

Enclosure

The Honorable Robert B. Anderson
Secretary of the Treasury
Washington 25, D. C.

7339

THE SECRETARY OF THE TREASURY
WASHINGTON

April 18, 1960

Dear Mr. Jennings:

It is with great regret that I have read your letter of April 14, 1960, informing me of your resignation as First Deputy Comptroller of the Currency effective May 16, 1960. I know that Ray Gidney feels as I do that your absence will be keenly felt in the Office of the Comptroller, and in saying so I know also that I reflect the views of scores of people in the banking fraternity throughout the Nation.

Before and since your appointment as First Deputy Comptroller in January, 1952, your splendid reputation with bankers throughout the country has been based on their observation of your wide knowledge of banking, a quick recognition of new developments and trends, and your outstanding executive ability.

At the same time that I express these regrets, let me also congratulate you on the occasion of your new connection as a Senior Vice President of the Republic National Bank of Dallas. All of us in the Treasury wish you every success in your new position.

Sincerely,

/s/ Robert B. Anderson

Mr. Lewellyn A. Jennings
First Deputy Comptroller
of the Currency
Treasury Department
Washington 25, D. C.

FOR IMMEDIATE RELEASE
Monday, April 18, 1960 A-820

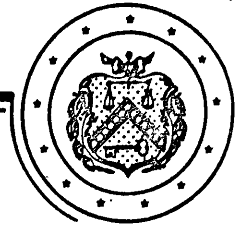
Secretary Anderson today announced "with great regret" the resignation of Lewellyn A. Jennings as First Deputy Comptroller of the Currency effective May 16, 1960.

Mr. Jennings will become Senior Vice President of the Republic National Bank of Dallas, Texas.

Mr. Jennings has been with the Office of the Comptroller of the Currency since February, 1929, and after serving in various capacities, was named Deputy Comptroller in July of 1950. He became First Deputy Comptroller in January, 1952.

The exchange of letters between Secretary Anderson, Mr. Jennings and Comptroller of the Currency Ray M. Gidney are attached.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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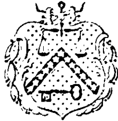

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Sincerely,

/s/ Robert B. Anderson

Mr. Lewellyn A. Jennings
First Deputy Comptroller
of the Currency
Treasury Department
Washington 25, D. C.

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/s/ L.A. Jennings
L. A. Jennings
Deputy Comptroller of the Currency

Enclosure

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Secretary of the Treasury
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April 18, 1960

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With my best wishes for a happy and successful career in your new connection, I am,

Sincerely yours,

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Ray M. Gidney
Comptroller of the Currency

Mr. L. A. Jennings
First Deputy Comptroller
of the Currency
Comptroller of the Currency
Washington, D. C.

TREASURY DEPARTMENT
Washington

STATEMENT OF JAY W. GLASMANN,
ASSISTANT TO THE SECRETARY, BEFORE
THE COMMITTEE ON FINANCE OF THE
UNITED STATES SENATE ON H. R. 9662
10:00 A.M., APRIL 20, 1960

The Treasury Department welcomes this opportunity to present its views on H. R. 9662, a bill which would make a number of important substantive and technical changes in Subchapters J and K of chapter 1 of the Internal Revenue Code. These Subchapters deal with the income tax treatment of estates, trusts and beneficiaries, and partners and partnerships.

As you know, in 1954 the Congress substantially revised and enlarged the statutory provisions of the income tax laws relating to estates and trusts (Subchapter J), and for the first time spelled out detailed rules for the taxation of partners and partnerships (Subchapter K).

With several years of practical experience under these subchapters, it has become evident that many of the rules in these complex areas of the tax law can and should be clarified and improved. H. R. 9662 is intended to bring about such needed clarification and improvement. With few exceptions, the Treasury Department supports the changes embodied in this legislation.

BACKGROUND OF H. R. 9662

H. R. 9662 had its beginning in the Fall of 1956 when a Subcommittee of the House Ways and Means Committee appointed a number of

eminent attorneys and accountants to serve as advisors to the Subcommittee in its study of the possible revision of Subchapters J and K of the Internal Revenue Code.

The advisory groups on Subchapters J and K held many meetings between November, 1956 and December, 1958, with the members devoting many hours to their extensive and difficult task. Printed preliminary reports, including drafts of statutory amendments, were submitted to the Subcommittee of the Ways and Means Committee by the advisory groups and released to the public late in 1957. Members of the advisory groups then testified before the full Ways and Means Committee in January and February of 1958, discussing in considerable detail their reports and legislative recommendations. To facilitate consideration of the changes proposed by the advisory groups, bills were introduced in the House to make the proposed changes readily available to the interested public.

Thereafter, the final reports of the advisory groups were completed in December 1958, and during February and March, 1959, the Ways and Means Committee held extensive public hearings on these reports. Members of the advisory groups again appeared and gave detailed explanations of their recommendations. The Committee also received comments on the advisory groups proposals from the Treasury Department and from interested members of the public.

Before turning to a discussion of the provisions of the bill, I should like again to express publicly the appreciation of the Treasury Department for the distinguished service performed by those serving on the advisory groups on Subchapters J and K. Their excellent work in assisting the Congress in its study of these technical and complex areas of the tax law has made possible the pending legislation.

The bill which is before the Committee today would make important changes in both Subchapters J and K. The bill is well over one hundred pages long, and its subject matter for the most part is both technical and complex. If the Committee wishes us to do so, we can proceed with a section by section discussion of the bill. In view of the involved nature of the bill, however, we believe that we can be of greater help to the Committee if we concentrate on those areas of the bill which are of major interest or which are controversial.

TITLE I - TRUSTS AND ESTATES

By way of introduction to a discussion of the more important amendments in the trust and estate area (Title I of the bill), it may be helpful to the Committee if I describe in very general terms several of the basic rules governing the taxation of trust and estate income under Subchapter J of present law.

(1) Income currently distributed or distributable by a trust or an estate is considered to pass through the trust or estate as

a conduit, and is taxed to the beneficiaries as if the trust or estate had not intervened between the beneficiaries and the ultimate source of the income.

(2) Income which is not currently distributed or distributable, and which is accumulated by the trust or estate, is taxable to the trust or estate as if it were a separate individual taxpayer.

(3) Income distributed by the trust or estate retains its tax character in the hands of the beneficiary. For example, tax exempt interest and long term capital gain received by a trust and distributed to a beneficiary are treated for tax purposes in the hands of the beneficiary as tax exempt interest and long term capital gain.

(4) Because the income accumulated by a trust is taxable to the trust rather than the beneficiary, a reduction of tax will usually result whenever the trust is in a lower tax bracket than the beneficiary. In recognition of the abuses possible in this area, Congress in 1954 added the so-called five year "throwback" rule to the Internal Revenue Code. In substance, this rule provides that if in any year a trust makes a distribution in excess of its "distributable net income" for the year, the excess will be included in income of the beneficiary to the extent of the accumulated income of the trust for the preceding five years. The concept of "distributable net income" came into the tax law in 1954 and is used to measure the amount includible by beneficiaries in their taxable income. Generally speaking, it is the taxable income of the trust with certain adjustments. For

example, no deduction is allowed for distributions to beneficiaries, or for the personal exemption allowed trusts and estates. Under the throwback rule, the tax payable by the beneficiary on the receipt of accumulated income cannot exceed the additional tax he would have paid if the income had been distributed currently by the trust rather than accumulated. If the throwback rule applies, the beneficiary is taxed not only on the distribution in excess of the distributable net income of the trust, but also on the tax paid by the trust on the accumulated income distributed. The beneficiary then gets a credit for the taxes paid by the trust. The throwback rule does not apply unless the amounts distributed exceed the distributable net income by more than $2,000. There are other exceptions to the throwback rule, most notably an exception for final distributions made more than nine years after the creation of a trust.

(5) Where a trust or estate has several beneficiaries, problems arise as to the allocation for tax purposes of the distributable income of the trust among the beneficiaries, particularly where the distributions of the trust exceed its distributable net income or where, under the terms of the trust instrument, part of the trust income is accumulated, but corpus distributions are made by the trust. In order to determine the beneficiaries who are to be regarded as having received taxable income and the extent thereof, Congress in 1954 provided a system of priorities in the allocation of income of estates and trusts, commonly referred to as the two tier system.

Under this rule, the distributable net income of the trust or estate, which by and large is taxable to the beneficiary receiving it, is allocated first to the beneficiaries to whom income is required to be distributed currently (the so-called first tier beneficiaries). If there is any distributable net income left over, this remaining distributable net income is then divided among all other beneficiaries who have received distributions of either corpus or income. These latter beneficiaries are referred to as second tier beneficiaries, and, as mentioned, include every one other than beneficiaries to whom income is required to be distributed currently.

(6). This tier system, standing alone, might give an inequitable result in any case where a single trust with several beneficiaries provides a well-defined separate share for each beneficiary. For this reason Congress, in 1954, also added the so-called separate share rule to the Code. In essence, this rule, which applies only to trusts and not to estates, provides that substantially separate and independent shares of different beneficiaries in a single trust shall be treated as separate trusts for purposes of determining the tax incidence of distributions by the trust.

Turning now from this brief review of present law to the provisions of the measure pending before the Committee, I should first like to discuss section 101 of the bill which relates to the sale of property subject to a legal life estate.

Section 101 - Legal Life Estates

This section is intended to prevent income from escaping taxation through a loophole which it appeared had been opened by the decision of the Court of Appeals for the 9th Circuit in Cooke v. United States, 228 F.2d 667 (1955). In that case the Court held that the owner of a legal life estate in certain stocks, where there was no liability for waste, was not subject to tax either individually or as a fiduciary for the remainderman upon gain realized on disposition of the securities.

In an opinion handed down the 8th of this month in de Bonchamps v. United States, the Court of Appeals for the 9th Circuit expressly overruled its position in the Cooke case by holding that property held subject to a legal life estate should be treated as property held in trust and that the life tenant is liable as fiduciary for payment of tax on capital gains of the trust. This decision follows recent decisions of the Court of Claims and the District Court for the Southern District of California, which also held the life tenant responsible for the capital gains tax as a fiduciary.

These decisions appear to remove the need for the corrective legislation contained in section 101 of the bill, at least for the present time.

Section 107 - Tier System

As I have mentioned, present law provides a two tier system for determining which of the beneficiaries receiving distributions from

an estate or trust are deemed to have received its "distributable net income" and are thus subject to tax upon the distributions.

Under this two tier system, beneficiaries receiving discretionary distributions of current income are placed in the same tier (the second) with beneficiaries who can receive only corpus. Thus, a beneficiary entitled to receive only corpus under the terms of the trust instrument may be taxed on a portion of the amounts he receives even though the distributable net income was in fact only sufficient to satisfy the distributions to the income beneficiaries.

To correct this and other inequities produced by the present tier system the bill would revise the classification of beneficiaries under the present two tiers and add a third tier, primarily for those beneficiaries who can receive corpus only. Section 107 of the bill would establish the following order of priority for taxing distributable net income to the beneficiaries of a trust or estate:

First tier -- Beneficiaries receiving mandatory or discretionary distributions which can be paid only from current income.

Second tier -- Beneficiaries entitled to receive discretionary distributions which may be paid out of either current income or corpus (including accumulated income of prior years).

Third tier -- Beneficiaries entitled to receive distributions only out of corpus or accumulated income.

It should be noted that enactment of the proposed change in the tier system, while logically sound, will necessarily mean that some

beneficiaries of existing trusts and estates will be taxed more and others less than would be the case under present law.

Section 102 and Section 106 - Charitable Beneficiaries

Two important provisions in the bill relate to the treatment to be accorded charitable beneficiaries of estates and trusts. The first would bring about a major simplification in the law by treating charitable contributions as distribution deductions rather than as deductions from gross income, as is provided under present law. This change would eliminate the need for two separate sets of computations and numerous complex adjustments in preparing fiduciary returns where there are distributions to both charitable and non-charitable beneficiaries.

The second major change involving charities has to do with their place in the tier system for purposes of determining when charitable contributions shall reduce distributable net income. The bill, in effect, places charitable beneficiaries in a fourth or last tier, so that charitable distributions cannot reduce the distributable net income allocable to, and hence taxable in the hands of, non-charitable beneficiaries, including beneficiaries in the third tier who can under the trust instrument receive only corpus distributions. The stated purpose of this provision is to eliminate opportunities for tax avoidance through the mixing of charitable beneficiaries and individual beneficiaries in the same trust.

For example, under present law if a grantor sets up a trust with all of its income required to be paid to his son and an equal amount of corpus is required to be paid University X, the son will be taxed on the full amount he receives. On the other hand, if the provisions of the trust instrument are reversed, with all of the income payable to University X and an equal amount of corpus payable to the grantor's son, the son would not be taxable. Under the bill the grantor's son in both situations would be taxable on the amount received from the trust, without regard to whether the amount he received was characterized as income or corpus under the trust instrument. This result would be accomplished by dropping the charity down to the bottom rung of the tier system ladder, so that the distributable net income of the trust will always be allocated first, to the extent thereof, to amounts paid to taxable beneficiaries. While controversial, the proposed change in the tax treatment accorded distributions to charity is needed to prevent manipulation of charitable beneficiaries to the advantage of individual beneficiaries through operation of the tier system.

Section 108 - Separate Share Rule and Distributions in Kind by Estates

Section 108 of the bill would extend the separate share rule to estates and would adopt a "distributions in kind" approach in connection with certain distributions by estates. These changes, although criticized by some as not being as broad as they might like, actually go a long ways toward correcting the major problems and hardships now

encountered in the taxation of distributions by estates.

The problem areas under existing law which have resulted in widespread dissatisfaction with the handling of estate distributions can be illustrated by two examples. First, suppose a testator leaves half of his estate to his son and the other half to a marital deduction trust for his widow. If, during the probate of the estate, the executor makes a partial distribution of corpus to the trustee in order to establish the widow's trust, without making a similar distribution to the son, the trustee for the widow will have to pay a tax on a disproportionately large amount, if not all, of the income of the estate even though half of the estate's income has been accumulated for the son and must eventually be paid to him. The extension of the separate share rule to estates, as proposed in section 108 of the bill, would limit the tax on the trustee, under the facts in the example, to the income attributable to the widow's separate one half interest or share in the estate. The second example involves the case where the executor distributes the family automobile from the residue of the estate to the widow. Since existing law generally treats as a tax-exempt distribution of corpus only those distributions by the estate which are gifts or bequests of definite sums of money or specific property, the widow would realize taxable income upon receipt of the family car. Under the "distributions in kind" approach adopted in the bill, real property or tangible personal property owned by the decedent at death could be distributed from

the decedent's residuary estate to his beneficiaries free of income tax if the executor designates the distribution as being in satisfaction of a bequest or devise.

Here again it should be noted that the proposal in the bill differs materially from that recommended by the advisory group, which in substance was that Congress should re-enact, with minor changes, the rule of law which existed under the 1939 Code. In effect, the advisory group proposal would permit the executor for a period limited to three years to determine whether, and to what extent, a distribution by the estate would be taxable to the beneficiary.

Section 103 (b) - Corpus Items of Deduction

Under present law expenses of an estate or trust which are charged against corpus are allowed, in effect, as deductions to the income beneficiaries even though the economic burden of the expenses falls on the remaindermen. This rule applies even where there is income allocable to corpus which is taxable to the estate or trust against which these expenses could have been allowed as deductions. This result has been severely criticized as improperly depriving the remaindermen of the benefit of tax deductions to which they are rightfully entitled.

To remedy this situation, section 103 of the bill provides that corpus deductions shall first be applied against income which is allocable to corpus and taxable to the trust or estate. Only the

excess of corpus deductions which the trust cannot use to offset corpus income are permitted to benefit the income beneficiaries. The amendment will continue the policy of present law to avoid wastage of corpus deductions and, at the same time, will result in more equitable treatment of the remaindermen with respect to deductions chargeable against corpus.

In this connection it should be noted that under the bill where an estate or trust uses the alternative method under section 1201 to compute its tax on capital gains, the corpus deductions (which would have been allowed the trust if the alternative tax were not applicable) are not allocated back to the income beneficiaries.

It has been stated by the Advisory Group and others that this results in a wastage of deductions where the alternative tax is used by the estate or trust. We do not think that there is any wastage of deductions in any realistic sense in this situation since the overall tax on the estate or trust is less than it would have been if the corpus deductions had been taken and the capital gains subjected to the regular rate. Moreover, if the corpus deductions were permitted to go over to the income beneficiaries when the alternative tax applies, the executor or trustee might be subjected to pressure by the income beneficiaries to realize more capital gains as the capital gains of the estate or trust neared the point where the alternative tax would become applicable.

Section 113 - Multiple Trusts

Section 113 of the bill is designed to limit the tax avoidance opportunities existing under present law in connection with the use of the multiple trust device. Basically, the multiple trust problem arises when a grantor creates more than one trust to accumulate income for the same ultimate beneficiary. The tax advantages offered by the use of multiple trusts are two-fold: First, the splitting of income at the trust level among a number of separate taxable entities and second, the avoidance of tax at the beneficiary level through multiplication of exceptions to the five-year throwback rule. Some of the more flagrant cases that have come to the attention of the Internal Revenue Service in recent years have involved the establishment of between 90 and 200 trusts by the same person to accumulate income for the same beneficiary. More typical is the situation where an individual, either all at one time or over a period of years, will establish from two to ten trusts to accumulate income for the same beneficiary.

The substantial tax savings to high-bracket taxpayers that may result from the use of the multiple trust device is illustrated by the following example: Suppose an individual in the 90 percent tax bracket wants to make a gift of a million dollars worth of securities yielding a return of 4 percent to his son, who prior to the gift has taxable income of $20,000. If the gift is made directly to the son, the annual income from the securities, amounting to $40,000, would

be added on top of the son's regular income and, if he were single, would be taxed at an effective rate of about 65 percent. If the million dollars worth of securities were transferred to a single trust established to accumulate income for the son, the income would be taxed to the trust as a separate entity at an effective rate of around 49 percent. If multiple trusts, rather than a single trust, were used to accumulate income for the son, the tax savings may be materially increased. Thus, if the grantor established five trusts to accumulate the income for the son, the effective tax rate on the $40,000 of income, divided equally among the five trusts as separate tax-paying entities, would drop to around 24 percent. Moreover, because of the many exceptions to the throwback rule provided by existing law (particularly the termination exemption for trusts lasting more than nine years), it would be a simple matter for the grantor to arrange his five trusts so as to avoid any additional tax on his son at the time the accumulated trust income is distributed to him.

While in a case as flagrant as this five-trust example the Service might attempt through litigation to disregard the separate trust entities, the example does illustrate the procedure followed by a number of high tax bracket taxpayers to obtain tax advantages through the creation of multiple trusts for the same beneficiary. Incidentally, the example points up the fact that single trusts can also be used to save taxes. This suggests that at an appropriate time Congress should give serious study to tightening for all trusts

101

the application of the throwback rule of existing law.

The problem of multiple trusts has been recognized for a number of years. In 1956, for example, the staffs of the Joint Committee on Internal Revenue Taxation and the Treasury Department listed this problem as one of a number of unintended benefits for examination by the Subcommittee on Internal Revenue Taxation of the House Ways and Means Committee. The work of the advisory group on Subchapter J in the multiple trust area grew out of this staff recommendation.

A number of different possible ways of dealing with the multiple trust problem have been suggested. Those who oppose any legislation suggest that there is no proof that the problem is sufficiently widespread to justify complex legislation and that the Service should attempt to control the problem through regulations and litigation. Others have suggested that a broad statutory provision might be enacted which would simply give the Secretary of the Treasury or his delegate the power to tax multiple trusts as one trust, where necessary to prevent tax avoidance. Another approach, and basically the one recommended by the advisory group on Subchapter J, would provide detailed statutory rules for consolidating the income of all trusts created by the same grantor for substantially the same primary beneficiaries, without regard to the presence or absence of tax avoidance motives. Still another approach, and the one adopted in the bill to deal with the problem, would tax the beneficiary receiving distributions from multiple trusts at the time the distributions are received.

This would be accomplished by expanding and tightening the operation of the throwback rules of existing law where multiple trusts are involved.

Each of the above approaches has its advantages and disadvantages.

As I have mentioned, the approach taken in section 113 of the bill would tax the beneficiaries of multiple trusts upon the accumulated income of such trusts as and when distributed to the beneficiaries. This rule would apply, however, only to the extent that income has been accumulated by a multiple trust in the preceding 10 years. Moreover, where a grantor creates a series of trusts to distribute the accumulated income to the same beneficiary, the first trust making distributions would not be subject to the multiple trust rules, but distributions from the second and succeeding trusts would be treated as multiple trust distributions.

In essence the bill attacks the multiple trust problem by eliminating the exceptions under the present five-year throwback rule and by extending the throwback period from 5 to 10 years. This new 10 year throwback rule for multiple trusts would operate in substantially the same manner as the present five year throwback rule except that the character rules would be eliminated and the additional taxes due from the beneficiaries would be computed without the limitation on tax contained in section 668 (a) of the Code.

The principal advantages of this approach are twofold: First, the additional tax is imposed on the beneficiary and only when it is an established fact that the trust is a multiple trust. Thus, as compared to the consolidation approach, it offers more certainty as to the trusts to which it applies and there is no need to develop complex rules for consolidation of trust income or to fix responsibility for making the consolidation. Second, by tightening and expanding the throwback rule many of the tax advantages which now contribute to the establishment of multiple trusts would be removed.

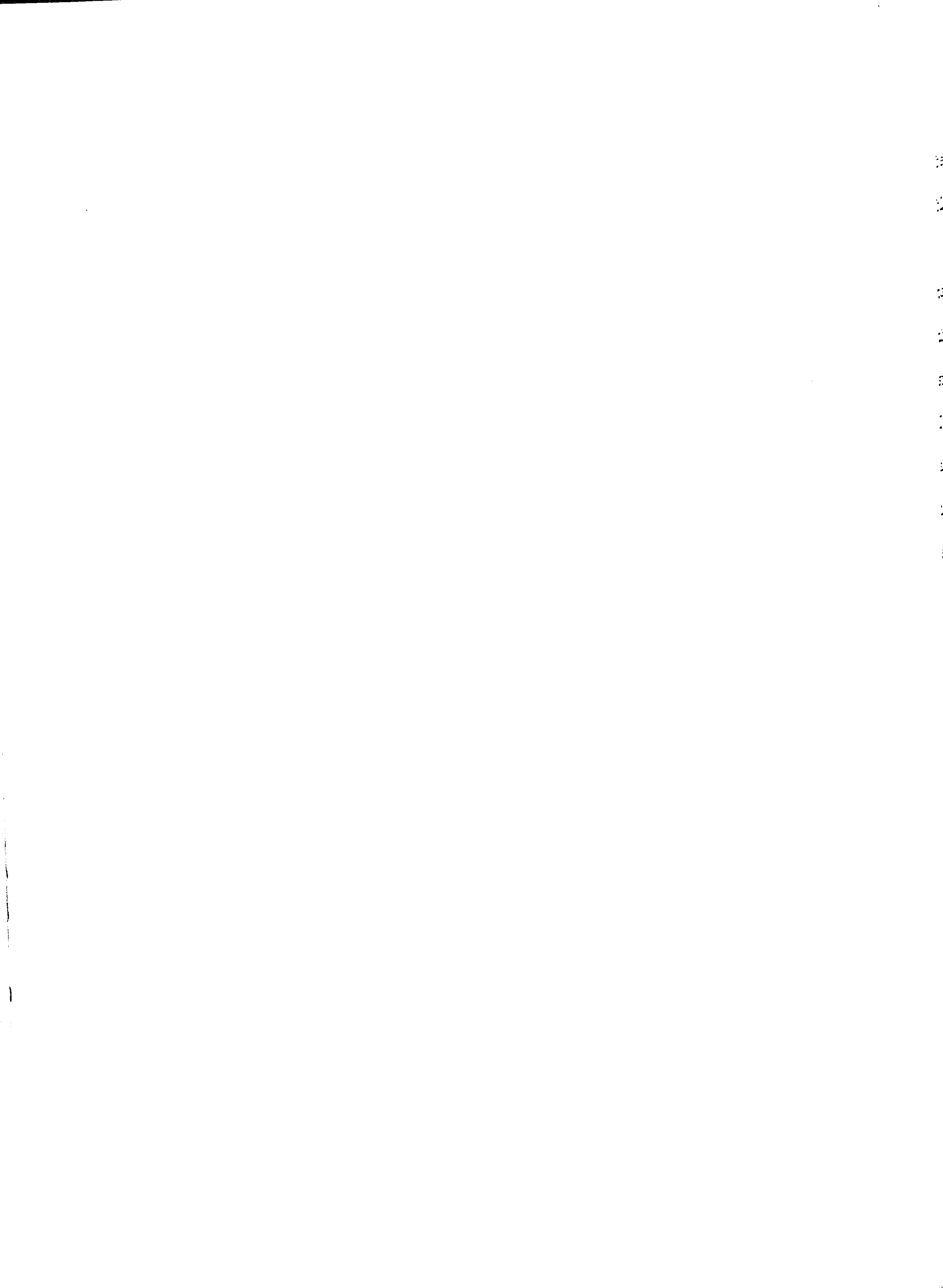
The approach taken under section 113 of the bill has been criticized on a number of grounds. First, it is argued that the throwback approach, by waiting to impose the additional tax upon distributions by multiple trusts, does not reach the savings that occur during the period income is accumulating in the trusts at relatively low tax rates. Second, it is claimed that the approach creates an unwarranted discrimination between beneficiaries of single and multiple trusts. For example, it is pointed out that multiple trust status, because of the elimination of the character rules, results in the taxation of beneficiaries on amounts which represent accumulated tax exempt income. It is also asserted that it is inequitable to make multiple trust status depend upon "co-existence" of two trusts rather than "co-accumulation" of income by the trusts. To cure these problems it has been suggested that the bill might be revised to provide that trusts would be treated as multiple trusts only if they accumulate

income for the same period so that there is some income splitting. It has also been proposed that tax exempt income of a multiple trust should retain its character when distributed to a beneficiary. We believe that these suggestions have considerable merit and that these and other possible modifications of section 113 should be given careful study.

It is claimed that many of the objections to the throwback approach of section 113 would be satisfactorily met by consolidation of the income of multiple trusts as earned. In other words, multiple trusts accumulating income for the same beneficiary would, in effect, be taxed as one trust. This in substance is the advisory group oroposal, although the advisory group would have permitted certain exceptions to its general rule. While the consolidation approach has considerable merit, the major objections to the advisory group proposal are as follows:

(1) Under the proposal the existence of multiple trusts depends upon whether the "primary beneficiaries" of two or more trusts are "substantially the same". Since these terms are vague, it will be difficult for both taxpayers and the Revenue Service to determine the scope of the statute.

(2) It does not require consolidation of trust income where the grantor has created three or less trusts and no two were created within 60 months. Furthermore, testamentary trusts would be treated separately from inter vivos trusts. This three-trust exemption would



be, in effect, acquiescence in a three-way income splitting and would blueprint a way for tax minimization.

(3) The proposal does not spell out the method of computing the tax in connection with the consolidation of income of multiple trusts, the method of allocating the tax among the trusts, or fix the responsibility as to which trustee shall bring the several trusts together. It has been suggested that matters as basic as computation of tax, allocation of liability for tax and fixing responsibility for consolidating trust income should not be left to regulations without some statutory guidance.

(4) It does not have any impact upon the foreign source income of a trust established in a foreign jurisdiction, even though the grantor and primary beneficiary are American residents, and the grantor has already established several domestic trusts to accumulate income for that same beneficiary.

As is evident from the above discussion, the multiple trust problem is not a simple one. It is, however, a problem that urgently needs Congressional action. In the opinion of the Treasury Department, some form of legislation should be enacted during this session of Congress to prevent existing and potentially serious abuse through the use of multiple trusts. The Treasury Department prefers an approach to the multiple trust problem along the lines of section 113 of the bill over the consolidation approach suggested by the advisory group primarily because of the greater complexities involved in

If the Committee should feel that the throwback approach taken in section 113 of the bill does not provide a satisfactory solution to the multiple trust problem, the Treasury Department would recommend that the Committee give favorable consideration to the consolidation approach of the advisory group but with appropriate modifications to insure that all multiple trusts are effectively covered. If neither approach can be satisfactorily worked out in time for legislative action this year, consideration might be given by the Committee to the adoption of an interim or stop-gap measure for deterring at least the more flagrant abuses in the multiple trust area.

TITLE II - PARTNERSHIPS

Title II of the bill would substantially revise Subchapter K, which deals with the taxation of partners and partnerships.

As mentioned at the beginning of my statement, the 1939 Code contained only a few brief sections dealing with partnerships, while the 1954 Code devotes an extensive subchapter to this area. Title II of the present bill, while retaining the basic statutory framework of Subchapter K, would make a number of significant changes in existing law.

By way of background, it may be helpful if I outline some of the major features of the present law before commenting on the proposed changes.

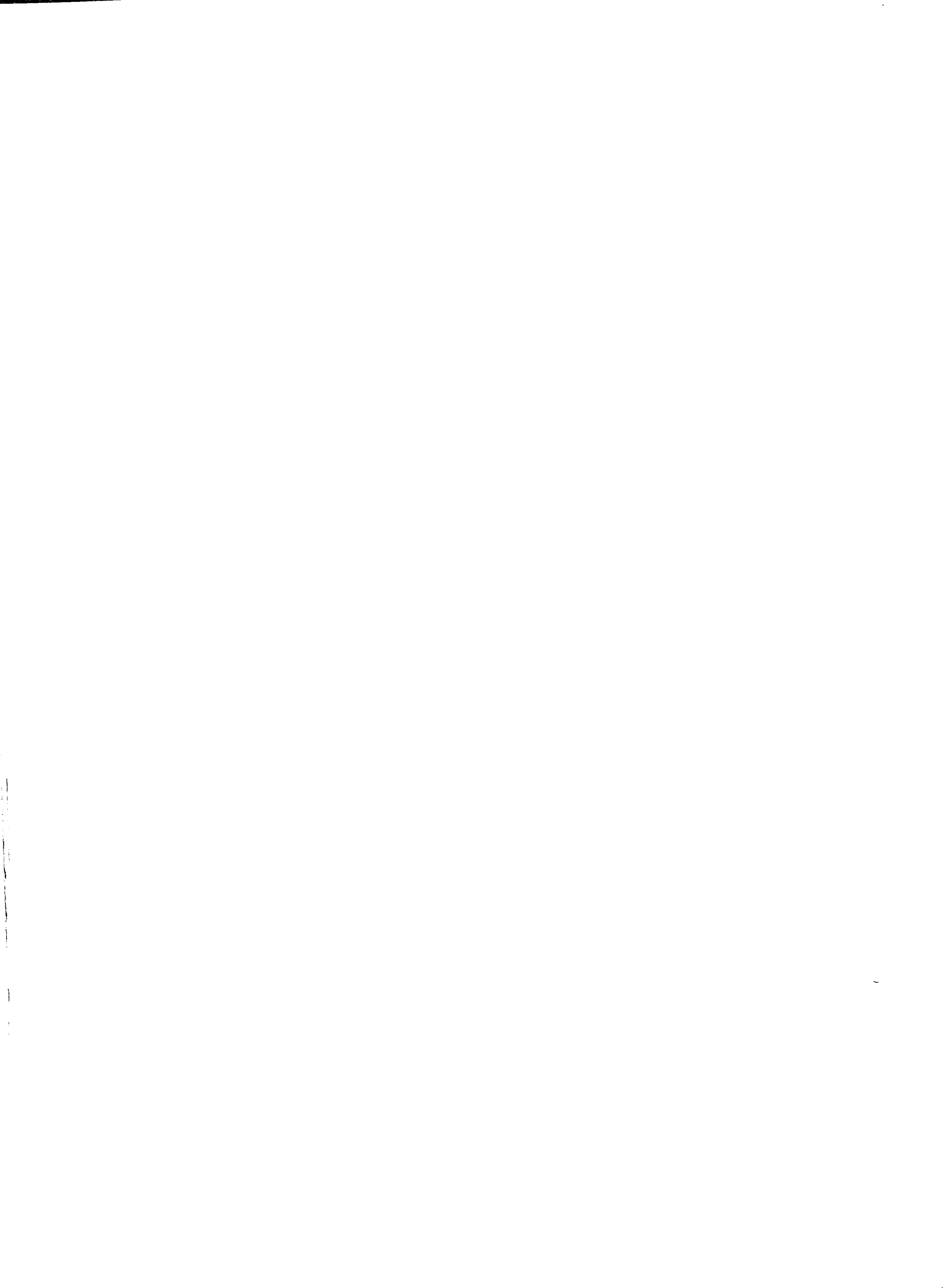
(1) A partnership does not pay any income tax. Only its members are taxable in their individual capacities upon their distributive shares of the partnership taxable income, whether or not actually distributed to them. In other words, the partnership acts as a conduit and the partners are treated as having realized their shares of partnership income or sustained their shares of partnership loss directly from the source from which realized by the partnership. For example, rental income received by a partnership retains its character as rental income in the hands of a partner thus permitting him to utilize the special character of this income in computing his retirement income credit.

(2) Generally speaking, a partner realizes no income and sustains no loss when he makes contributions to or receives distributions from a partnership.

(3) Specific rules are set forth in the Code to deal with a variety of partnership problems such as computing the basis of partnership interests and assets, and choosing and changing partner and partnership taxable years. The statute also provides various alternative ways for handling partnership transactions which, although adding complexity to the law, afford the partners a maximum amount of flexibility.

(4) Although a partnership interest is a capital asset, there are limitations imposed under the so-called "collapsible partnership" provisions of the Code on the extent to which gain realized by a partner on the sale of his partnership interest can be treated as capital gain. The rules in this area, while necessarily complex, are designed to prevent tax avoidance through the conversion of ordinary income items, like uncollected and untaxed partnership income, into capital gain.

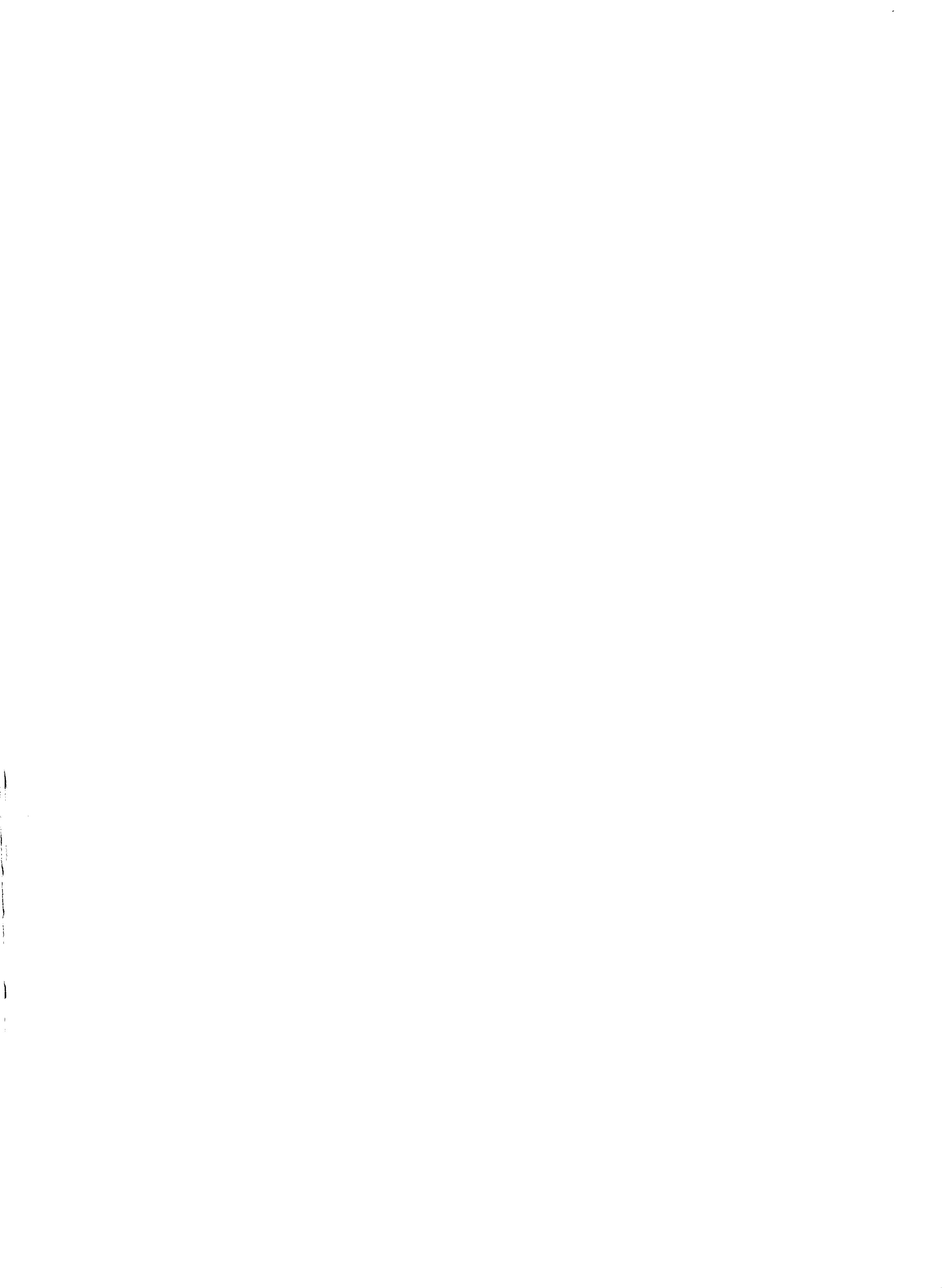
(5) Specific rules are also provided in the statute for the treatment of payments made to a retiring partner or to the successor in interest of a deceased partner in liquidation of the partner's interest in the partnership. In substance, payments made for the partner's interest in partnership property are treated as capital payments. Other payments are treated as ordinary income.



With this short introduction to a highly complicated subject, I would now like to discuss briefly several of the partnership provisions of the bill which I believe will be of particular interest to the Committee.

Rearrangement of Partnership Provisions

The partnership advisory group recommended that Subchapter K be rearranged to make its provisions easier to understand, particularly in the case of the small partnership. The bill reflects this proposal by grouping in Part I of the revised Subchapter the provisions likely to be applicable to the great mass of partnerships and by grouping in other parts the various elections and other technical provisions of the law which are likely to apply only to more complex partnerships, or to the unusual transactions of the average partnership. This does not mean, of course, that the substantive complexity of Subchapter K will be reduced by merely rearranging its provisions. In many instances only a partial picture can be obtained by reading the simple or general rule set forth in the earlier part of the rearrangement. To be certain of tax consequences, in situations which are at all complicated, the lawyer and accountant will still have to refer to the exceptions or more complex rules set forth in the latter portions. However, many believe the rearrangement will enable persons to grasp more readily the meaning of these partnership provisions. The Department has no objection to its adoption.



Section 702 (b) - Level for Determining Character of Partnership Items

We would next like to comment on a controversial question which was the subject of considerable discussion before the Ways and Means Committee; namely, at what level is the character of partnership income and deductions to be determined. The existing statutory provisions contain no explicit statement on this point, but the proposed new section 702 (b) would provide that the character of all partnership items shall be determined as if realized directly by the partner from the same source from which realized by the partnership.

One of the problems which the new provision is intended to cover is the basis for determining whether gain on a sale of property by a partnership is capital gain where, if sold directly by one or more of the partners, the gain would have been taxable as ordinary income. The example often used to illustrate the problem is the case of a real estate dealer who enters into a partnership with two non-dealer investors to acquire and hold real estate which is subsequently sold by the partnership at a profit. There are at least three possible views as to the appropriate factors to consider in determining how such gain is to be taxed to the partners.

The first, which has a number of proponents, is to look solely to the business activities of the partnership. This would permit the real estate dealer to use the partnership to convert ordinary income into capital gain, and does not appear to us to be sound.

The second possibility is to determine the character of gain on sale of a partnership asset by looking primarily to the activities of the partnership, with weight being given in appropriate cases to the activities of a partner who owns a substantial interest in the partnership. Thus, in the example, the fact that 1 of 3 partners is himself engaged in the real estate business might be sufficient to taint the partnership. If so, the gain realized on the sale would be taxable to all three partners as ordinary income. Such a rule has the merit of providing uniform treatment for all partners and, again looking at the example, it would block the flagrant use of partnerships by real estate dealers to avoid tax. But, it should be noted that such a rule might impose an ordinary income tax on some partners who perhaps should be given capital gain treatment while letting others off with capital gain who should be treated as receiving ordinary income.

The third possible approach to this difficult problem, and the one adopted in the bill, after its recommendation by the advisory group, is that the character of the gain be determined at the partner level taking into account for this purpose the activities of the partnership. Such a rule should generally tax as ordinary income to the real estate dealer his share of the partnership gain on the sale. At the same time, it would allow partners who are not real estate dealers to enjoy capital gain treatment provided the activities

of the partnership do not put it in the trade or business of buying and selling real estate. Moreover, just as it is possible for a real estate dealer who is a sole proprietor to have a segregated investment account (sales from which result in capital gain), so also will it be possible under this third approach, where a partnership interest represents an investment account, for sales by the partnership to give rise to capital gain, rather than ordinary income, for the partner who is a real estate dealer. This will be a factual question to be determined in each case.

The Treasury Department favors this third approach.

Section 764 (a) - Close of Partnership Year Upon Death of a Partner

Section 764 (a) of the Subchapter K amendments relates to the time of closing of the partnership taxable year for a partner who dies. This provision, designed to correct an unintended hardship under existing law, merits the special attention of your Committee because of its importance to many partnerships.

Under the present law the partnership taxable year generally does not close when a partner dies. This rule was enacted as part of the 1954 Code to prevent the bunching of income where the partnership and a partner were on different taxable years. While the holding open of the partnership year is an equitable rule where a partnership and partner are on different taxable years, it can produce a serious hardship where they are on the same taxable year. Thus, if a partner and his partnership file their returns on a

113

calendar year basis (which is the usual case) and the partner dies, he often loses much of the benefit otherwise arising from deductions, exemptions, and income splitting for the year of his death since none of the partnership income is included in the decedent's final return. The bill would correct this by providing that the partnership year closes for the decedent as of the date of his death, unless his successor in interest, usually his executor, elects to the contrary.

"Simplified" Reporting of Partnership Income

The next section I would like to discuss is section 702 (e), which would provide an optional procedure for reporting partnership income. This is the only partnership provision in the bill with which the Treasury disagrees. We would recommend that it be deleted.

This provision did not originate with the partnership advisory group but was added to the bill by the Ways and Means Committee. The stated objective of the provision is to simplify the reporting problems of small partnerships. We, of course, are sympathetic with the desire to simplify the partnership law and, in particular, the reporting procedures for the smaller partnerships. We have serious doubt, however, that the proposal can accomplish its stated purpose. On the contrary, we are of the view that this additional election will further complicate the law, and may prove to be a tax trap for the unwary partner.

As I previously mentioned, one of the basic characteristics of partnership taxation under the 1954 Code and the regulations is the so-called conduit theory whereby the character of every partnership item of income and deduction which has tax significance carries over to the partners and is reflected as such on their individual income tax returns. Although in most cases this works out to the individual partner's benefit, some taxpayers nevertheless feel that it is too complicated to keep track of and reflect in their individual tax returns the significant tax characteristics of specific partnership items.

The bill attempts to minimize this problem by providing that where a partnership so elects only a limited number of the items entering into the partnership income account will retain their character when passed down to the partners. Capital gain and loss items, gains and losses with respect to certain business assets, and dividend income would continue to retain their character. All remaining items would be taken into account by the individual partners on their returns as a single, net, ordinary income or loss item.

The suggested change could have the following adverse consequences to the partners of an electing partnership:

(1) If the partnership has rent or interest income, the individual partners will lose the benefit of the rental or interest character of their shares of such partnership income for purposes of computing the amount of their retirement income credits.

(2) The partners will lose the benefit of the additional 20 percent first year depreciation allowance with respect to any depreciable assets acquired by the partnership during any year the election is in effect.

(3) The partners will receive no deduction for partnership charitable contributions, soil and water conservation expenditures, exploration expenditures, and depletion deductions.

(4) Also disallowed to the partners under the new reporting procedure will be any credits (other than those for dividends) attributable to the partnership income.

In view of the heavy price which the partners may unknowingly have to pay for the purported simplification effected by the new reporting procedure, it seems to us that the provision may in fact be harmful rather than helpful. Moreover, the claimed simplification of reporting procedures may be more apparent than real. For example, before making the election under section 702 (e) partners and partnerships will still have to ascertain the nature of all partnership income, deductions and credits in order to know whether to make the election. Furthermore, the new reporting procedure provided under the bill, since it relates only to the determination of the tax liability of the individual partners, would have little, if any, effect upon the reporting problems of an electing partnership. The partnership itself will still have to submit a return showing the nature of all of its income and deductions on the regular

partnership return form (Form 1065) in order for the Internal Revenue Service to make sure that each partner's distributive share of partnership income does not reflect any of the deductions or exclusions of the type which cannot be passed through to the partners of a partnership making an election under section 702 (e).

Section 776 - Amounts Paid to a Retiring Partner or a Deceased Partner's Successor in Interest

Next I would like to call the Committee's attention to some of the changes the bill would make in an important provision of present law dealing with the tax consequences of partnership payments to retired partners or deceased partner's successors. This is proposed section 776 in the bill. The basic function of this section is to help solve the problem as to how the income of the partnership is to be accounted for when the interest of a retiring (or deceased partner) is being bought out by the partnership.

Present law divides payments to a retiring partner into two categories. The first relates to the amounts paid for his interest in partnership property. These amounts are generally capital payments, which are taxed as capital gain to the retiring partner and are not deductible by the partnership. The second category involves payments which exceed the value of the retiring partner's interest in partnership property. These amounts are taxed as ordinary income to the recipient and are deductible by the partnership.

The bill does not alter this fundamental structure but makes two

significant amendments. First, a more equitable definition of partnership property has been developed, with the result that the retiring partner does not pay ordinary income tax upon amounts received for his rights to participate in future services of the partnership or in its future delivery of goods.

Second, a rule has been added which treats all payments to a retiring partner as payments for partnership property, even though the payments exceed the value of such property, if all the payments are made within a 12-month period. This is designed to bring about the result which the parties normally intend where a partner's interest is liquidated by means of a lump-sum payment or a series of payments over a short period of time.

In addition to these important substantive amendments, a number of simplifying and clarifying changes have been made in this section.

Sections 749, 750 and 751 - Collapsible Partnership Transactions

I would finally like to mention briefly some of the more important changes made by the bill in the collapsible partnership provision. This area, which is covered by proposed sections 749, 750 and 751 in the bill, is a highly technical one. However, the collapsible partnership problem can be illustrated by a simple example. Assume that A, B and C are members of a housing development partnership and that most of the partnership assets consist of fully completed houses which the partnership will sell in the ordinary course of its business. Each partner's share of the partnership income upon the sale

of the houses is, of course, taxable as ordinary income. Suppose that prior to the sale of the houses by the partnership, partner A sells his partnership interest. Under the collapsible partnership rules, A is taxable at ordinary income rates on his share of the unrealized partnership income on the houses, despite the general rule that a partnership interest is to be treated as a capital asset.

You will, of course, note the similarity between the operation of these partnership rules and those which apply when a shareholder sells stock in a collapsible corporation. In addition, just as shareholders in collapsible corporations are prevented from converting ordinary income into capital gains by means of distributions in liquidation of their stock, so under the collapsible partnership rules are partners prevented from accomplishing such result through the medium of partnership distributions.

While the basic pattern of taxing collapsible partnerships introduced in the 1954 Code has been retained in the bill, experience has shown that some modifications are needed. Accordingly, the bill would make a number of changes designed to simplify these complex provisions, to make their operation more equitable, and to close a serious loophole.

As a matter of simplification the bill substitutes for the detailed and troublesome definitions of "unrealized receivables" and "substantially appreciated inventory" a more workable concept of the type of partnership assets which results in ordinary income.

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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 28, 1960, (91 days remaining until maturity date on July 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 April 28, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 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

A- 822

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, April 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 April 28, 1960, in the amount of $1,400,406,000, as follows:

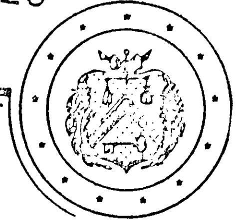
91-day bills (to maturity date) to be issued April 28, 1960, in the amount of $1,000,000,000, or thereabouts, representing an additional amount of bills dated January 28, 1960, and to mature July 28, 1960, originally issued in the amount of $400,475,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated April 28, 1960, and to mature October 27, 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 Daylight Saving time, Monday, April 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



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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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STATEMENT BY ALFRED H. VON KLEMPERER,
ASSISTANT TO THE SECRETARY OF THE TREASURY,
BEFORE THE SENATE INTERSTATE AND FOREIGN COMMERCE COMMITTEE
APRIL 26, 1960
ON: "EXPORTS IN RELATION TO THE BALANCE OF PAYMENTS"

Mr. Chairman and Members of the Committee:

I am glad to appear before you to testify on the subject of "Exports in Relation to the Balance of Payments".

Among the many items which make up our balance of payments, our trade account, that is, our exports and imports of merchandise, is the largest. To illustrate the importance of these factors, our merchandise exports generally account for about 70% of our total receipts in the balance of payments and our imports for about 50% of our total payments. Any important and lasting changes in the magnitude of our foreign trade are thus bound to affect our balance-of-payments position importantly and to have repercussions on the other activities which make up our balance of payments.

Traditionally, the United States has had a very sizeable surplus in its goods and services account, exclusive of military expenditures abroad. This surplus contributed importantly to our ability during most of the postwar period to support very substantial U. S. private and public capital outflows and military expenditures abroad, with fairly limited losses of gold and liquid dollars to foreigners. To illustrate, during the years 1951 - 1956, our export surplus on non-military goods and services averaged roughly $5 billion per year. In comparison,

our expenditures for the three most important categories of out-payments, i.e., economic aid, military expenses, and private investment abroad, averaged about $6 billion. Since other payments and receipts largely cancelled out, we lost an average $1.2 billion per year in gold and liquid dollars during that period.

1957 was the year of the "Suez Crisis" and we developed a small gold and dollar surplus. In 1958, our export surplus on non-military goods and services was above the pre-1957 average and amounted to $5.4 billion. On the other side of the ledger, however, expenditures abroad for our military forces and through the outflow of U. S. public and private capital rose much more sharply to $8.8 billion. When all other transactions were taken into account, we had lost $3.4 billion in gold and liquid dollars in 1958. In 1959, our payments situation deteriorated further largely because our merchandise trade surplus was very sharply reduced to about $1 billion. We lost $3.7 billion in gold and liquid dollars during that year.

When we look for the causes of this deterioration, we find that it is not so much that our exports have declined. In 1959, at $16.2 billion, they were as high as they had been in 1958 and higher than they had been in any previous postwar year except 1956 and 1957 when they were inflated as the result of the Suez crisis and other special factors. What has happened is that our merchandise exports have failed to keep pace with our merchandise imports. The

126

latter, in 1959, suddenly rose by almost $2.5 billion to a record level of over $15 billion while our exports just managed to equal those of the previous year.

In our overall balance of payments for 1959, there were a number of offsetting factors of a special nature in our favor, such as over $400 million in unexpected debt prepayments by foreign countries to the U. S. Government; nevertheless, the increase in our merchandise imports was large enough to raise our total payments abroad to a new annual high and we lost a record $3.7 billion in gold and liquid dollars. Thus, we are today confronted with a situation where exports during 1958 and 1959 have fallen short of providing the very large trade surpluses needed to help finance the three important items of outpayments mentioned above, i.e., outflow of public and private funds and our military expenditures abroad.

Our export figures for 1960 have so far shown a considerable improvement and our imports have fallen off somewhat. While this is in itself an encouraging development, we must suspect that at least part of this improvement is due to temporary or non-recurring factors such as jet aircraft and cotton. It would not be responsible to assume that all of this improvement is necessarily of a lasting nature and that it will continue and thus lead to a sufficiently rapid reduction in our balance-of-payments deficit towards the goal of reasonable equilibrium which we must reach. We therefore must work for higher levels of export earnings than those which we have shown during the early months of 1960.

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Losses of $7 billion of gold and dollars in the last two years indicate a balance-of-payments problem for us which we cannot afford to disregard. We think that such losses cannot be permitted to continue indefinitely. Today the United States dollar is the major reserve currency of the world. Foreign countries have accumulated about $17-1/2 billion in liquid dollar claims against the United States, of which about $9 billion are held by foreign governments and central banks and represent under our present monetary system a potential claim on our gold stock. $7 billion of foreign holdings represent private short-term dollars owned by foreigners here in the form of bank balances or U. S. Government securities, and there are also about $1.5 billion in holdings of U. S. Treasury bonds and notes on foreign government and private account. Our gold stock today is just below $19.5 billion, of which about $12 billion are required reserves against our Federal Reserve note and deposit liabilities. Our gold reserve is still roughly 50% of the total amount held by the monetary authorities of all the nations of the free world. A reserve of this size is sufficient to give us time to make the necessary adjustments in our international payments position in an orderly manner. However, these adjustments must be made before additional heavy deficits have brought about a further deterioration.

There are two things which the Administration is attempting to do in this connection:

a. By continually seeking adequate monetary and fiscal measures, we must continue to

merit the full confidence of those foreigners who keep an important part of their monetary reserves with us, and

b. We are working towards helping bring about the necessary adjustments in our balance of payments with a view of reaching a reasonable equilibrium.

It is not within the scope of my subject to deal in detail with the various measures which the Administration has taken in its attempt to help make these adjustments. With respect to foreign trade, the Administration has agreed that one of the basic solutions to our payments problem is a large increase in our exports. Through higher export earnings we hope to obtain an important degree of improvement in our trade account along lines consistent with our international economic policy of expanding world trade to the maximum possible. In many of the other industrialized countries exports are one of the important national objectives. It must be one of ours.

Our concern with exports is, of course, a relatively new thing. It has grown out of necessity. There are still many who do not realize the important role which exports play in our domestic economy as well as in our balance of payments. It has often been said that our merchandise trade is only a very small part of our gross national product and is therefore not a matter of important concern to us. It is true that a $16 billion export figure and a $15 billion import figure work out to barely 3 percent each of

our gross national product. Even a 20 percent increase in our exports would serve to raise the percentage which they bear to our GNP by only six-tenths of one percent. By looking at this from a balance-of-payments point of view, however, we get an entirely different picture. If all other items in our balance of payments remain constant, this same 20% rise in our exports would virtually eradicate our payments deficit. Conversely, of course, a very small worsening in our trade in terms of GNP as occurred in 1958 and 1959 can create a very sharp deterioration in our international payments position.

Furthermore, as a percent of the movable and therefore exportable goods produced in the U. S., our exports generally amounted to around 9 percent of GNP in most years of the postwar period. For the last year for which data are available, 1958, the percentage was 8.8. In addition, the impact of our export markets on particular commodities in diversified sectors of our economy is frequently very high. In 1958, we exported 46 percent of the rice we grew and 42 percent of our wheat. We exported 53 percent of raw cotton grown and in spite of all our imports, 27 percent of our sardine catch. We exported 44 percent of our manufactures of track-laying tractors, 49 percent of the DDT produced here, 21 percent of motortrucks and busses produced, and 28 percent of molybdenum mined.

The foregoing very briefly reflects the important position of exports in our balance of payments and in our economy. I shall be glad to attempt to answer such questions as you may have.

A.M.
IMMEDIATE RELEASE, 9:45 EDT
Monday, April 25, 1960.

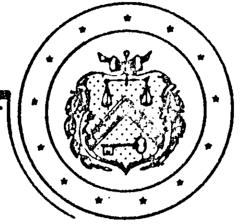
A-924

Holders of 4 percent Treasury Certificates of Indebtedness of Series B-1960, 3-1/2 percent Treasury Notes of Series A-1960, and 3-1/4 percent Treasury Notes of Series B-1960, maturing May 15, 1960, aggregating about $6.4 billion, will be given the privilege of exchanging these securities for a new issue, or issues, of securities to be dated May 15, 1960.

The terms of the new issue, or issues, will be announced toward the end of this week. Cash subscriptions will not be accepted for the new securities.

0-15

TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE, 9:45 A.M. EDT.
Monday, April 25, 1960.

A-824

Holders of 4 percent Treasury Certificates of Indebtedness of Series B-1960, 3-1/2 percent Treasury Notes of Series A-1960, and 3-1/4 percent Treasury Notes of Series B-1960, maturing May 15, 1960, aggregating about $6.4 billion, will be given the privilege of exchanging these securities for a new issue, or issues, of securities to be dated May 15, 1960.

The terms of the new issue, or issues, will be announced toward the end of this week. Cash subscriptions will not be accepted for the new securities.

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A-825

RELEASE A. M. NEWSPAPERS, Tuesday, April 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 January 28, 1960, and the other series to be dated April 28, 1960, which were offered on April 21 were opened at the Federal Reserve Banks on April 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:

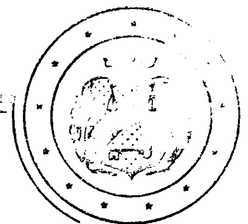
RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 28, 1960		182-day Treasury bills maturing October 27, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.168	3.291%	98.140	3.679%
Low	99.157	3.335%	98.120	3.719%
Average	99.162	3.317% 1/	98.127	3.705% 1/

58 percent of the amount of 91-day bills bid for at the low price was accepted
49 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	$ 26,637,000	$ 16,037,000	$ 3,973,000	$ 3,973,000
New York	1,302,444,000	699,827,000	554,991,000	305,287,000
Philadelphia	29,456,000	13,956,000	13,737,000	7,504,000
Cleveland	30,041,000	29,041,000	21,817,000	11,417,000
Richmond	14,418,000	11,727,000	2,584,000	1,559,000
Atlanta	20,261,000	18,461,000	4,796,000	3,674,000
Chicago	171,779,000	94,303,000	87,493,000	36,813,000
St. Louis	30,461,000	29,461,000	4,105,000	4,087,000
Minneapolis	9,900,000	7,016,000	2,222,000	1,422,000
Kansas City	30,211,000	21,611,000	8,144,000	5,044,000
Dallas	12,[illegible],000	12,556,000	3,606,000	3,306,000
San Francisco	63,030,000	46,167,000	45,939,000	16,103,000
TOTALS	$1,740,544,000	$1,000,163,000 a/	$753,407,000	$400,189,000 b/

a/ Includes $210,970,000 noncompetitive tenders accepted at the average price of 99.162
b/ Includes $46,756,000 noncompetitive tenders accepted at the average price of 98.127
1/ Average rate on a coupon issue equivalent yield basis is 3.3[illegible]% for the 91-day bills and 3.83% 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.



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, April 26, 1960. A-825

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1/ Average rate on a coupon issue equivalent yield basis is 3.39% for the 91-day bills and 3.83% 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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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 February 4, 1960, (91- days remaining until maturity date on August 4, 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 May 5, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 5, 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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4-826

TREASURY DEPARTMENT
Washington

RELEASE A. M. NEWSPAPERS,
Thursday, April 28, 1960.
(1)

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,400,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing May 5, 1960 (3), in the amount of $ 1,400,290,000 (4), as follows:

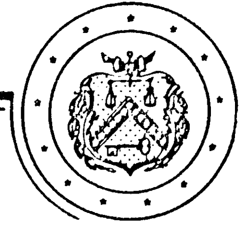
91 (5)-day bills (to maturity date) to be issued May 5, 1960 (6), in the amount of $ 1,000,000,000 (7), or thereabouts, representing an additional amount of bills dated February 4, 1960 (8), and to mature August 4, 1960 (9), originally issued in the amount of $ 400,046,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 400,000,000 (12), or thereabouts, to be dated May 5, 1960 (13), and to mature November 3, 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 Daylight Saving ~~Standard~~ time, Monday, May 2, 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



WASHINGTON, D.C.

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A-826

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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 February 4, 1960, (91-days remaining until maturity date on August 4, 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 May 5, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 5, 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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138 A-827

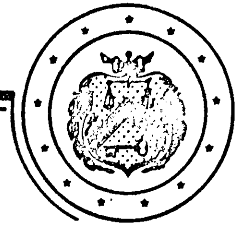
Immediate Release Wednesday, April 27, 1960 ~~Draft~~ Press Release

~~The~~ Treasury and State Department ~~announced today that~~ representatives will hold technical discussions ~~are to be held~~ in the near future with representatives of the Government of Germany looking toward the possible modification of the existing income tax convention between Germany and the United States.

Interested persons in the United States who desire to submit comments or suggestions bearing on such discussions should forward their views promptly to Mr. Fred C. Scribner, Jr., Under Secretary of the Treasury, Treasury Department, Washington 25, D. C.

approved by:
N. Barker
F.C. Scribner Jr.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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A-827

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140

financing or commercial risk insurance may be advisable too. We do not expect that the latter need will be large and think that it will be limited mainly to new and small exporter firms.

There is one aspect of this problem of export credit insurance in which I believe the members of your Committee may be especially interested. It has seemed to us that smaller business firms, and firms which do not have ready access to Washington facilities, would be greatly encouraged to make use of these new facilities if they were able to handle these transactions through their local banking or insurance institutions. For this and for other general reasons we recommended maximum participation by private enterprise in handling these new facilities.

Concerning the question of legislative authority, and the related question of the administering agency to carry out the newly expanded facilities, it was the Subcommittee's view that the existing authority of the Export-Import Bank would permit it to handle the new program. Through many years of experience in dealing with exporters the Bank is eminently well qualified to carry out such a program with a minimum of delay and a maximum of efficiency.

I believe the above covers very briefly the main points of the Administration position on this subject. The representative of the Export-Import Bank will explain to you the program which it has devised and which has received the full support of the National Advisory Council.

other countries because they could not give the type of credit terms which their competitors could offer under the protection of their governmental facilities. There was considerable evidence, too, that many importers abroad felt that they could increase their purchases of U. S. goods if longer credit terms could be obtained.

It is the judgment of the Subcommittee that the introduction of a system of short-term export credit facilities is justified and would be beneficial in improving our export trade. We are hopeful that after what may be a slow start, growing results could be achieved over a period of years and that the program will eventually give a substantial lift to our exports. We are hopeful incidentally that the new facilities will encourage new firms, particularly smaller businesses, to explore the opportunities for entering the export field.

Let me be specific on the details of what seems to us justified in the way of additional export credit facilities in the short-term field. We feel that new facilities are needed largely for the coverage of the political risks, a type of risk which, as the experience of other countries has taught us, can be borne by government institutions only. It is our belief that if the political risks are insured through some governmental instrumentality, private facilities for the assumption of the commercial risks will increase. In special cases where commercial risk coverage cannot be provided even with the stimulus of governmental coverage of the political risk, short-term governmental

The conclusions which our Subcommittee reached from these discussions can be summarized in this way: There seems to be a very considerable unfilled demand for export credit guarantees and financing for medium and long-term transactions, running from one to 25 years, and being particularly strong in the 1 - 10 year field. Facilities for such transactions, however, are already being provided by the Export-Import Bank. The evidence of this demand was helpful to us mainly in pointing out the steps which might be taken to assure more effective use of the existing possibilities; a number of changes in present techniques will be the result of this evidence. We decided against recommending any new facilities in this field because we felt that our aim of improving our balance or payments would not be achieved if we provided guarantees and financing not offering reasonable possibilities of repayment.

The only form of credit insurance provided by other countries which we have not made available to our exporters in the past in any important degree is the insurance for short-term transactions of a maturity of less than one year. The Subcommittee came to the conclusion that there was a good deal of support for an expanded program covering such transactions. There were some exporters who doubted the need for these facilities. They thought that the political risk is not a determining factor in the case of short-term transactions, and that, in general, adequate financing is available for short-term transactions. On the other hand, we found a number of firms which felt that they had lost business to exporters from

143

recently concluded a survey of our present export credit facilities and the need for additional measures of this type. The findings of the Subcommittee have been endorsed by the National Advisory Council and thus reflect the considered opinions of those departments of the Executive Branch most intimately concerned with the problem. I will outline for you the work of this Committee and the conclusions which it reached.

In the course of its study, our Subcommittee examined the practices of other leading countries which operate export credit insurance plans. We undertook to explore with a number of U. S. exporters the problems which they have encountered in competing credit-wise with exporters from these countries. We endeavored to cover a representative sample of agricultural as well as industrial exporters, and we solicited the views of small as well as large firms, and of representatives of banking and of an insurance firm. In addition to these interviews, we have received a considerable number of unsolicited communications from a wide variety of business firms. The Subcommittee has also had the benefit of reports from the United States Foreign Service with regard to the general view held abroad by foreign importers on the question of the adequacy of the credit terms being offered by United States exporters compared with terms being offered by other competitive countries. We did not attempt an exhaustive survey but rather a selective one with the purpose of obtaining a general indication of what a cross section of organizations in the field believed to be advisable.

Aside from these important aids to American exporters bills have been introduced in the Senate from time to time in the postwar years to establish more formal export credit facilities to service the direct needs of American exporters, similar to the organizations maintained by other industrialized nations, notably the UK, Canada, and Germany. As the members of this Committee know, the Executive Branch opposed these various proposals. It believed that no significant demand for new facilities had been demonstrated, and that the existing governmental and private enterprise organizations were able to take care of the existing needs. In fact, these proposals received only small support from exporters or bankers.

The conditions which were responsible for this Administration position have changed considerably within the past two years. The testimony of the witnesses which you have heard earlier this week has shown the rapid deterioration which has taken place in our foreign trade position during the past two years and the effects of these changes on our balance of payments deficit.

It is largely because of this development that the Administration undertook late last year to investigate the possibility that export credit insurance or guarantees might be helpful in improving our international payments position by contributing to a general governmental effort to increase U. S. exports. A subcommittee of the National Advisory Council on International Monetary and Financial Problems (NAC) was established to look into this question. It has

145

Similar to the Export-Import Bank, the Development Loan Fund has been of assistance to American exporters through its foreign lending operations. This has been particularly true since last September when a new policy was established by the Administration under which the bulk of future assistance provided by the Fund would be subject to procurement from the United States. This policy should be of benefit to U. S. exporters as disbursements under the DLF loans increase during the coming years.

Other programs of the United States have similarly benefitted U. S. exporters in an incidental manner. Most important among these activities are Public Law 480 and the operations of the International Cooperation Administration and its predecessors. Under P. L. 480, a total of approximately $4.3 billion of agricultural surpluses have been sold in world markets including the cost of ocean transportation. Payment for these shipments is made in local currencies of the foreign countries, 55% of which in the past has been loaned or granted back to the latter. By not requiring cash dollar payments, P. L. 480 thus makes possible exports which otherwise would not have materialized and such exports have been running at between 1/4 and 1/3 of our total exports of agricultural commodities.

With respect to ICA and its predecessors, the U. S. Government either on a grant or a loan basis has created the financial means which enabled foreign governments to buy a total of about $13 billion of U. S. exports since 1948.

TREASURY DEPARTMENT

Washington

145

STATEMENT OF ALFRED H. VON KLEMPERER,
ASSISTANT TO THE SECRETARY OF THE TREASURY, BEFORE
THE SENATE INTERSTATE AND FOREIGN COMMERCE COMMITTEE
APRIL 28, 1960
ON: PRESENT EXPORT CREDIT FACILITIES AND PROPOSALS
FOR NEW MECHANISMS

Mr. Chairman and Members of the Committee:

I am happy to testify before your Committee on the subject of "Present Export Credit Facilities and Proposals for New Mechanisms."

With respect to present export credit facilities, the United States Government today provides a considerable amount of financial assistance to U. S. exporters through a number of devices. Closest in nature to a true system of export credits have been the operations of the Export-Import Bank of Washington which since its inception has financed a total of approximately $7 billion of U. S. goods and services. The Bank has done this financing in two ways: one, through a system of specific lines of credit to American exporters under which the exporter himself takes the initiative in approaching Export-Import Bank to cover proposed sales to foreign countries. The bulk of the Bank's aid to exporters, however, has been extended through a second device, i.e., its large postwar reconstruction loans and a large volume of developmental project loans to foreign governments and other organizations. Under these loans, the initiative is taken by the foreign borrower, but since disbursement of the loans is tied to the payment of U. S. produced goods and services, the full benefit of these loans goes to the American exporter.

A-828

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Aside from these important aids to American exporters bills have been introduced in the Senate from time to time in the postwar years to establish more formal export credit facilities to service the direct needs of American exporters, similar to the organizations maintained by other industrialized nations, notably the UK, Canada, and Germany. As the members of this Committee know, the Executive Branch opposed these various proposals. It believed that no significant demand for new facilities had been demonstrated, and that the existing governmental and private enterprise organizations were able to take care of the existing needs. In fact, these proposals received only small support from exporters or bankers.

The conditions which were responsible for this Administration position have changed considerably within the past two years. The testimony of the witnesses which you have heard earlier this week has shown the rapid deterioration which has taken place in our foreign trade position during the past two years and the effects of these changes on our balance of payments deficit.

It is largely because of this development that the Administration undertook late last year to investigate the possibility that export credit insurance or guarantees might be helpful in improving our international payments position by contributing to a general governmental effort to increase U. S. exports. A subcommittee of the National Advisory Council on International Monetary and Financial Problems (NAC) was established to look into this question. It has

recently concluded a survey of our present export credit facilities and the need for additional measures of this type. The findings of the Subcommittee have been endorsed by the National Advisory Council and thus reflect the considered opinions of those departments of the Executive Branch most intimately concerned with the problem. I will outline for you the work of this Committee and the conclusions which it reached.

In the course of its study, our Subcommittee examined the practices of other leading countries which operate export credit insurance plans. We undertook to explore with a number of U. S. exporters the problems which they have encountered in competing credit-wise with exporters from these countries. We endeavored to cover a representative sample of agricultural as well as industrial exporters, and we solicited the views of small as well as large firms, and of representatives of banking and of an insurance firm. In addition to these interviews, we have received a considerable number of unsolicited communications from a wide variety of business firms. The Subcommittee has also had the benefit of reports from the United States Foreign Service with regard to the general view held abroad by foreign importers on the question of the adequacy of the credit terms being offered by United States exporters compared with terms being offered by other competitive countries. We did not attempt an exhaustive survey but rather a selective one with the purpose of obtaining a general indication of what a cross section of organizations in the field believed to be advisable.

151

The conclusions which our Subcommittee reached from these discussions can be summarized in this way: There seems to be a very considerable unfilled demand for export credit guarantees and financing for medium and long-term transactions, running from one to 25 years, and being particularly strong in the 1 - 10 year field. Facilities for such transactions, however, are already being provided by the Export-Import Bank. The evidence of this demand was helpful to us mainly in pointing out the steps which might be taken to assure more effective use of the existing possibilities; a number of changes in present techniques will be the result of this evidence. We decided against recommending any new facilities in this field because we felt that our aim of improving our balance or payments would not be achieved if we provided guarantees and financing not offering reasonable possibilities of repayment.

The only form of credit insurance provided by other countries which we have not made available to our exporters in the past in any important degree is the insurance for short-term transactions of a maturity of less than one year. The Subcommittee came to the conclusion that there was a good deal of support for an expanded program covering such transactions. There were some exporters who doubted the need for these facilities. They thought that the political risk is not a determining factor in the case of short-term transactions, and that, in general, adequate financing is available for short-term transactions. On the other hand, we found a number of firms which felt that they had lost business to exporters from

152

other countries because they could not give the type of credit terms which their competitors could offer under the protection of their governmental facilities. There was considerable evidence, too, that many importers abroad felt that they could increase their purchases of U. S. goods if longer credit terms could be obtained.

It is the judgment of the Subcommittee that the introduction of a system of short-term export credit facilities is justified and would be beneficial in improving our export trade. We are hopeful that after what may be a slow start, growing results could be achieved over a period of years and that the program will eventually give a substantial lift to our exports. We are hopeful incidentally that the new facilities will encourage new firms, particularly smaller businesses, to explore the opportunities for entering the export field.

Let me be specific on the details of what seems to us justified in the way of additional export credit facilities in the short-term field. We feel that new facilities are needed largely for the coverage of the political risks, a type of risk which, as the experience of other countries has taught us, can be borne by government institutions only. It is our belief that if the political risks are insured through some governmental instrumentality, private facilities for the assumption of the commercial risks will increase. In special cases where commercial risk coverage cannot be provided even with the stimulus of governmental coverage of the political risk, short-term governmental

153

financing or commercial risk insurance may be advisable too. We do not expect that the latter need will be large and think that it will be limited mainly to new and small exporter firms.

There is one aspect of this problem of export credit insurance in which I believe the members of your Committee may be especially interested. It has seemed to us that smaller business firms, and firms which do not have ready access to Washington facilities, would be greatly encouraged to make use of these new facilities if they were able to handle these transactions through their local banking or insurance institutions. For this and for other general reasons we recommended maximum participation by private enterprise in handling these new facilities.

Concerning the question of legislative authority, and the related question of the administering agency to carry out the newly expanded facilities, it was the Subcommittee's view that the existing authority of the Export-Import Bank would permit it to handle the new program. Through many years of experience in dealing with exporters the Bank is eminently well qualified to carry out such a program with a minimum of delay and a maximum of efficiency.

I believe the above covers very briefly the main points of the Administration position on this subject. The representative of the Export-Import Bank will explain to you the program which it has devised and which has received the full support of the National Advisory Council.

evidence that interest rate movements are quite unpredictable. We have no way of knowing which direction interest rates will move in the future, simply because we cannot accurately predict the outcome of the millions of individual decisions which, in a free economy, actually determine interest rates. Interest rates may stay close to present levels, they may go up, or they may go down. Unless they decline considerably from present levels, we shall continue to be locked into the less than 5-year sector of the market.

It would be most unfortunate indeed if Congress were to adjourn this session without taking action to provide the necessary flexibility for debt management, only to find that events during the several months before the new Congress convenes next January led once again to the type of severe market congestion that occurred last autumn.

The problem of the interest rate ceiling is not a short-run, transitory problem, nor should it be approached on a partisan basis. The ceiling, if not removed, can continue to obstruct debt management through many administrations in the future. In the interest of sound debt management -- which means in the public interest -- the 4-1/4 percent interest rate ceiling should be removed permanently and as soon as possible.

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In all honesty, I must admit that we did not anticipate the impact on the mortgage market and homebuilding of the necessity of crowding almost all Treasury financing of the past year to within the 5-year range. But the case of the so-called "Magic 5s" is now a matter of history. Last October, when these securities were issued, the Treasury had no choice but to obtain as much of the $4 billion in cash needed at that time by issuing securities of 4 to 5 years' maturity. If we had not done so, and had crowded the entire $4 billion into the 1-year range, pressures on the money market would have become almost intolerable. Moreover, market quotations on outstanding Treasury issues made it clear that the notes issued in that financing, to be acceptable to investors in the amount offered, would have to carry an interest coupon of 5 percent.

As you know, the offering received wide publicity throughout the country; as a result, more than 100,000 individuals purchased $778 million of the securities. Much of this money represented withdrawals from savings accounts in banks and savings and loan associations. These institutions -- and particularly the mutual savings banks, which apparently were most affected -- were forced to reduce their commitments to acquire new real estate mortgages, and they understandably adopted a more cautious attitude in making new commitments, in view of the fact that the Treasury might again offer a similar security.

We have pointed out that we have no desire to sell large amounts of new marketable Treasury securities to individuals who purchase them by withdrawing funds from savings institutions. Such a procedure short-circuits our highly efficient financial mechanism in which financial institutions provide individual savers with safe and highly liquid investments and in turn assume the risk of holding investments of lesser liquidity. We had much rather sell our marketable bonds to the institutions themselves, but such institutions have in fact been liquidating Government securities during most of the postwar period.

But the hard fact is that we had no choice last October. And it is quite possible that, if the interest rate ceiling is not removed, conditions may arise in the future when we shall again have no choice. This would be most unfortunate, but we feel strongly that we can properly fulfill our responsibilities in debt management only if we make whatever efforts are possible, under existing law, to prevent our huge Government debt from moving closer and closer to maturity.

The decline in interest rates earlier this year -- which has since been reversed by market forces of demand and supply -- apparently convinced some people that there was no longer any reason for removal of the ceiling. This view, in our judgment, is and was wholly unwarranted. The very decline in interest rates earlier in the year, in contrast to widely held expectations to the contrary, is convincing

15o

By extending the call feature to 15 years -- several years longer than prevails with respect to corporate issues -- we believed that the initial attractiveness of the security was not affected. We shall continue to use call features in the future when appropriate. But we do not believe that the public interest would be served if the Treasury were forced, either by statute or by a statement of intention, to place call features on all bonds offered in the future.

Although the suggestion that the Treasury market long-term bonds only when interest rates are low appears, on the surface, to have considerable merit, it is important to understand that this suggestion is tantamount to recommending that the Treasury ignore the state of the economy in its debt management decisions. This is because long-term interest rates usually fall to their lowest levels during business recessions. If the Treasury sold large amounts of long-term bonds during such periods, it would run the serious risk of absorbing long-term funds that would otherwise be used to finance homebuilding, State and local government projects, and business capital expenditures. Such a policy would, of course, impede recovery and might even intensify recessionary pressures. Minimization of interest rates, therefore, cannot be accepted as the overriding goal of Treasury debt management.

I have saved until last a final major argument that has been made against removal of the ceiling, partly because this particular argument is of primary interest to the mortgage industry, and partly because the course of events has definitely proved the argument to be incorrect. I refer to the statements that have been made from time to time that removal of the ceiling would severely damage the mortgage and home-building industries, inasmuch as new long-term securities sold by the Treasury would compete with real estate mortgages for the available supply of long-term money. As mortgage bankers know quite well, the existence of the ceiling has actually hurt the mortgage market and it has hurt homebuilding, and there is a real possibility that additional damage will occur in the future if the ceiling is not removed in this session of Congress.

When this particular argument was first made last summer, we pointed out that, even with the ceiling removed, we would not sell large amounts of new long-term bonds for cash. Instead, we would rely heavily on a technique known as "advance refunding," which would involve the exchange of new Treasury bonds for outstanding issues several years in advance of their final maturity. Inasmuch as such exchanges would merely involve the substitution of a new Treasury issue for an old issue in an investor's portfolio, the impact on the mortgage market -- and on the capital market in general -- would be minimized.

Similarly, it is our judgment that extension of the auction technique to securities other than Treasury bills in the near future would result in higher -- rather than lower -- interest rates on Government securities. We would like to make greater use of the auction technique, because it simplifies our pricing problems with respect to new issues, and we have made considerable progress in this direction in the past 18 months by introducing the new 6-month and 1-year Treasury bills. In fact, we have during this period auctioned more new issues of Treasury securities than at any time in the past.

But the fact is that the auction technique is not widely understood among the investors most interested in acquiring longer-term Governments, and the chance of loss because of a bid too high in price (too low in terms of interest rate) is much greater on long-term issues than on bills. Thus, we feel that the use of auctions for intermediate- and long-term issues would significantly narrow the initial market for our securities; as a result the interest costs to the Treasury would be higher. This judgment is strongly supported by the fact that on the basis of the best evidence available, the use of auctions for the new 1-year bills during the past year on average has probably cost as much as 1/4 of 1 percent more than if fixed-price certificates had been issued. But we are hopeful that the quarterly auction of the 1-year bills will become a routine occurrence in the money market, and that wider understanding of the auction technique will result in an interest cost more closely in line with fixed-price issues of similar maturity.

Another important reason for not immediately extending the auction method to intermediate- and long-term securities involves the fact that, in so doing, the Treasury would give up all control over the initial allocation of its new issues. We believe that, in the public interest, it is highly desirable to sell as many of our new long-term bonds directly to true long-term investors as is practicable, and that preferential allotments should be used for this purpose. But in an auction, especially in a strong market in which speculation tends to occur, large portions of the new issues might be taken up by speculators rather than by permanent holders.

The case is even stronger, in our judgment, that the use of relatively early call features on Treasury bonds would result in higher initial interest costs to the Treasury. An investor will be willing to purchase a new 25-year Treasury bond, callable, say, in 5 years, only if the initial interest rate is sufficiently high to warrant his taking the risk of an early call. Still, we realize that call features, if properly constructed, may save interest costs for the Government over the long run. It is primarily for this reason that the most recently offered Treasury bond -- the 25-year, 4-1/4 percent issue sold last month -- included a 15-year call feature.

Treasury is responsible for the management of our $290 billion public debt; that is precisely where the responsibility should rest. But by insisting on retention of the interest rate ceiling, the Congress is denying the Treasury the essential tools for sound, noninflationary debt management. If the responsibility is to rest with the Treasury, sufficient authority should be vested in Treasury officials to meet that responsibility.

According to a third argument, the interest rate ceiling should indeed be removed, but only if the Treasury first agrees to instituting some so-called "reforms" in its debt management operations. Such "reforms" include abolition of the committees of commercial bankers, investment bankers, and others that commonly advise the Treasury with respect to financings; sale of intermediate- and long-term securities at public auction; issuance of bonds with relatively early call provisions; and a signification of the intent of the Treasury to market long-term securities only when interest rates are relatively low. The proponents of these first three "reforms" maintain that their inauguration would probably permit the Treasury to sell bonds at lower interest rates than now prevail and, as a result, the removal of the ceiling would not be necessary.

The Treasury believes that just the reverse is true. If, for example, we discontinued our periodic consultations with advisory committees -- a practice, incidentally, that was started by Secretary Morgenthau in 1942 -- we would be foregoing the opportunity of obtaining firsthand and expert information on the Government securities market. Our only alternative, therefore, would be to price our securities more liberally -- to offer somewhat higher interest rates than otherwise -- in order to make certain that a particular financing did not fail. This void of information could not be filled by increasing the Treasury's debt management staff; the type of information that we obtain from the advisory committees can only be provided by individuals who operate daily in the Government securities market. By consulting with these committees, the Treasury obtains accurate and firsthand reports on the attitudes of the thousands of potential buyers of Government securities.

Moreover, it is important to emphasize that Treasury officials, in approaching a financing decision, talk to scores of individuals all over the country; in fact, these contacts are maintained on a more or less continuous basis. We also engage in intensive studies and analysis on our own. By the time the advisory committees are called in, responsible Treasury officials have already carefully considered the many alternatives involved. And in every case, all that the Treasury obtains from the committees, and other contacts, is advice: the final decision is made solely by the responsible Treasury officials.

6073

is basically in error because interest rates, as noted above, are not determined by Government edict but by forces of demand and supply; in and of itself, removal of the ceiling would not cause interest rates to rise. But even when interest rates do increase, it does not follow that the financial institutions themselves receive all of the benefit. Many of the large lending institutions in this country are mutual in nature, and this is particularly true of those that supply a large portion of the funds in the mortgage market. In the insurance industry, mutual companies account for approximately two-thirds of the assets; improved earnings reflecting higher interest rates are promptly reflected in increased dividends to policyholders. Moreover, mutual savings banks and savings and loan associations -- also mutual institutions -- have sharply stepped up their interest and dividend rates to savers as interest rates have risen during the postwar period, and rates paid by commercial banks on savings accounts have also risen considerably. Thus, a substantial portion of the rise in interest rates has been passed on to the saver.

Although commercial banks are not mutual institutions, it is important to understand that their current earnings would tend to fall rather than rise if the ceiling is removed. This is because the vast preponderance of commercial bank loans and investments are of relatively short maturity; for example, the average bank loan is estimated to mature in about 2 years and the Government securities banks hold have an average maturity of only 3-1/2 years. Both logic and experience indicate clearly that a principal effect of the interest rate ceiling is to force short-term interest rates to higher levels than would otherwise prevail, since the Treasury must arbitrarily confine its financing to the less than five-year maturity range. As short-term rates rise, including rates on bank loans and short-term Government securities, the current earnings of banks also expand. But if the Treasury could prudently spread its borrowing over a wider maturity range, pressure on short-term rates would be eased, and bank current earnings would tend to be less than would otherwise be the case. Commercial bankers are fully aware that the existence of the ceiling improves their current earnings; nevertheless, the American Bankers Association has strongly advocated its removal as being in the national interest.

A second argument sometimes made against removal of the interest rate ceiling is that, in so doing, Congress would in effect be relinquishing its historic right to determine the general terms of long-term bonds issued by the Treasury.

To determine general terms of new issues is one thing, but to lock the Treasury firmly into the short-term market is another. Rather than determining the general terms of new bond issues, Congress, in failing to remove the ceiling, is in effect flatly prohibiting any significant debt-lengthening through sale of long-term issues. The

6073

include the National Association of Home Builders, the National Retail Lumber Dealers Association, the National Association of Real Estate Boards, the National Small Businessmen's Association, the National Association of Mutual Savings Banks, the United States Savings and Loan League, the American Bankers Association, the Investment Bankers Association, the American Farm Bureau Federation, and the National Grange.

One would think, therefore, that those who oppose removal of the ceiling must base their case on some very strong arguments. What are the arguments that have been presented?

The first and most familiar argument is that removal of the ceiling would cause interest rates in general, including those on real estate mortgages, to rise. But if the ceiling were truly effective in holding down rates, it would be logical to expect rates on outstanding Government bonds to remain below the ceiling. During most of the past year, however, such yields have exceeded 4-1/4 percent.

The fact is, of course -- and this is no news to people who deal in Government-underwritten mortgages subject to statutory interest rate ceilings -- no Government-decreed interest rate ceiling can prevent forces of demand and supply from exerting their effects so long as credit markets are free. We cannot repeal the quotations on outstanding Government securities that are the product of each day's free market trading among thousands of holders of Government securities. If we would control interest rates, then we must control the actions of lenders, borrowers, and all market participants. But so long as we protect the basic freedom of the marketplace, and do not revert to direct controls, interest rates -- or the price of borrowed money -- will continue to reflect changes in the basic forces of demand and supply, including the impact of flexible monetary policies.

Rather than preventing interest rates from responding to market forces, the real effect of the ceiling is to prescribe the area of the market in which the Treasury can borrow. President Eisenhower put the matter succintly in a special message to Congress last summer. He said: "To prohibit the Treasury from paying the market price for long-term money is just as impracticable as telling the Defense Department that it cannot pay the fair market price for a piece of equipment. The result would be the same in either case: the Government could not get what it needs."

As a corollary to this argument, some of those who oppose removal of the ceiling argue that such action would only serve to enrich the large financial institutions of the Nation. This view

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Government security, the more like money it is. A 25-year Treasury bond is a true investment instrument, but a Government security maturing within a few days is almost the same as cash. Similarly, a security maturing within a few weeks, a few months, or even a year or two automatically turns into cash within a relatively short period of time. Thus, a large build-up in short-dated Government securities increases the inflationary potential embodied in the Government debt; holders can easily liquidate short-term securities to obtain cash for spending for goods and services, either by selling the securities or by simply letting them run off at maturity.

Federal fiscal and monetary policies have been used effectively in recent months to contain the inflationary pressures that, although sometimes dormant, are always present in a prosperous economy. But because of the interest rate ceiling, Treasury debt management -- the third major Government financial power -- has actually contributed to the inflationary potential in the economy.

A third major argument for removing the interest rate ceiling arises from the distortions in credit markets that result from confining Government financing to short-term securities. Even though we are now operating with a balanced budget, the Treasury must turn over $70 to $80 billion of marketable securities each year. The confinement of so huge an amount of financing to securities of less than five years' maturity -- and this will be the inevitable result if interest rates do not decline significantly from present levels and the ceiling is not removed -- may add unduly to pressure on the short-term market. Thus, short-term interest rates would be higher than otherwise would be the case, and the availability of credit to private short-term borrowers -- particularly consumers, small businesses, and farmers, all of whom rely heavily on short-term credit -- would be curtailed. Moreover, experience last autumn indicated clearly that such distortions can become so great as to result in a severe impact on savings institutions, with a resulting back-wash effect on the mortgage market. I shall say more about this aspect of debt management under a restrictive interest rate ceiling in a few minutes.

In view of the force of these arguments -- and there are others that could be mentioned -- many impartial observers are understandably puzzled as to why Congress has not yet acted favorably on the President's request. Moreover, the request has received widespread editorial endorsement in newspapers and periodicals throughout the country, and almost without exception leading professional economists have advocated removal of the ceiling in testimony before Congressional committees and in other statements. Furthermore, various national associations representing both borrowers and lenders have supported legislation to provide the needed Treasury flexibility in debt management. In addition to your own association, such groups

removal of the ceiling, I do so because we still believe that these arguments are logical and compelling, and that those who oppose removal of the ceiling have not as yet provided convincing answers to the arguments, nor have they offered an acceptable alternative to the President's proposal that the ceiling be removed.

The facts of the situation are familiar to all of you. A 4-1/4 percent interest rate ceiling on new issues of marketable Treasury bonds, established in 1918 in connection with a particular financing operation of World War I, has effectively prevented the Treasury from selling more than a token amount of long-term securities for almost a year. Through no choice of its own, the Treasury has had to rely almost completely on new issues of notes, certificates, and bills -- securities that mature in five years or less and on which no interest rate ceiling applies.

There are three major arguments for removal of the ceiling. In the first place, forced reliance on short-term financing contributes to further shortening of a marketable debt that is already much too short in maturity. Today, almost 80 percent of the marketable debt matures within five years; this figure contrasts with 50 percent in 1946 and 67 percent at the end of 1952. Most of the shortening in the debt during the postwar period occurred between 1946 and the end of 1952, during which time the Treasury sold only $5.2 billion of marketable issues of more than five years' maturity. Since the end of 1952, $49-1/2 billion of over five-year securities have been marketed. But despite these determined efforts during the past seven years, the passage of time has moved more and more securities closer to maturity. Moreover, if the marketable debt does not change and no securities of more than five years' maturity are issued, the under five-year debt will swell to 87 percent of the total by the end of 1964.

Debt-lengthening must, therefore, continue to be a high priority goal of Treasury debt management. Otherwise, the average length of the debt will grow shorter and shorter, and Treasury refunding operations will occur more frequently and in larger amounts. This will not only tend to disrupt the Government securities market, but will also complicate the flexible administration of Federal Reserve credit policy. The relentless shortening in the public debt cannot be viewed with complacency.

Progressive shortening in the maturity of the public debt has another important implication, which leads to the second major argument for removal of the ceiling. All of us realize that the unbridled creation of new money to finance Government deficits or to pay off maturing issues would result in disastrous inflation. But apparently too few people realize that excessive reliance on short-term issues in debt management can also exert strong inflationary pressures. This is because the shorter the term of a

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FOR RELEASE UPON DELIVERY

TREASURY DEPARTMENT
Washington

REMARKS BY CHARLS E. WALKER, ASSISTANT TO THE SECRETARY OF THE TREASURY, BEFORE THE EASTERN MORTGAGE CONFERENCE OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA, AT THE HOTEL COMMODORE, NEW YORK CITY, MONDAY MORNING, MAY 2, 1960.

It is indeed a pleasure and a privilege to appear before a group that has given unstinting support to the cause of financial discipline in Government. The Mortgage Bankers Association has clearly recognized that a good, stable dollar is absolutely essential if this Nation is to realize orderly economic growth. You have supported the efforts of the Administration to achieve a balanced budget this fiscal year and a meaningful surplus in the fiscal year beginning July 1. You were among the first to endorse our efforts to eliminate the 4-1/4 percent interest rate ceiling on Treasury bonds. And you have rejected the counsel of those who maintain that artificially easy money can provide a lasting solution to the problems of the mortgage and homebuilding industries.

My assigned topic is "The Vital Significance of Debt Management Today." When I accepted this assignment several months ago, I expected that by this time Congress would have acted favorably on the President's urgent request to remove the 4-1/4 percent interest rate ceiling on Treasury bonds. With the ceiling removed, it would be possible for me to present the views of the Treasury on how we intended to proceed with the important problem of re-structuring a huge public debt that is much too short in maturity, and how we intended to coordinate debt management with Government fiscal and monetary policies to promote orderly economic growth without inflation.

But circumstances force me to do otherwise. Almost eleven months have elapsed since the President originally requested removal of the interest rate ceiling, and still no action has been taken. As a result, debt management unfortunately remains the weakest weapon in our arsenal of Government financial policies to promote sustainable economic growth, and the debt of course grows shorter and shorter in maturity.

Thus, if I concentrate on what may appear to be an old subject -- one that has been very much in the financial news for almost a year -- I do so because it remains a subject of vital importance to the mortgage industry and to the American people. And if I recount various arguments that we have made in the past for

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Washington

REMARKS BY CHARLS E. WALKER, ASSISTANT TO THE SECRETARY OF THE TREASURY, BEFORE THE EASTERN MORTGAGE CONFERENCE OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA, AT THE HOTEL COMMODORE, NEW YORK CITY, MONDAY MORNING, MAY 2, 1960.

It is indeed a pleasure and a privilege to appear before a group that has given unstinting support to the cause of financial discipline in Government. The Mortgage Bankers Association has clearly recognized that a good, stable dollar is absolutely essential if this Nation is to realize orderly economic growth. You have supported the efforts of the Administration to achieve a balanced budget this fiscal year and a meaningful surplus in the fiscal year beginning July 1. You were among the first to endorse our efforts to eliminate the 4-1/4 percent interest rate ceiling on Treasury bonds. And you have rejected the counsel of those who maintain that artificially easy money can provide a lasting solution to the problems of the mortgage and homebuilding industries.

My assigned topic is "The Vital Significance of Debt Management Today." When I accepted this assignment several months ago, I expected that by this time Congress would have acted favorably on the President's urgent request to remove the 4-1/4 percent interest rate ceiling on Treasury bonds. With the ceiling removed, it would be possible for me to present the views of the Treasury on how we intended to proceed with the important problem of re-structuring a huge public debt that is much too short in maturity, and how we intended to coordinate debt management with Government fiscal and monetary policies to promote orderly economic growth without inflation.

But circumstances force me to do otherwise. Almost eleven months have elapsed since the President originally requested removal of the interest rate ceiling, and still no action has been taken. As a result, debt management unfortunately remains the weakest weapon in our arsenal of Government financial policies to promote sustainable economic growth, and the debt of course grows shorter and shorter in maturity.

Thus, if I concentrate on what may appear to be an old subject -- one that has been very much in the financial news for almost a year -- I do so because it remains a subject of vital importance to the mortgage industry and to the American people. And if I recount various arguments that we have made in the past for

removal of the ceiling, I do so because we still believe that these arguments are logical and compelling, and that those who oppose removal of the ceiling have not as yet provided convincing answers to the arguments, nor have they offered an acceptable alternative to the President's proposal that the ceiling be removed.

The facts of the situation are familiar to all of you. A 4-1/4 percent interest rate ceiling on new issues of marketable Treasury bonds, established in 1918 in connection with a particular financing operation of World War I, has effectively prevented the Treasury from selling more than a token amount of long-term securities for almost a year. Through no choice of its own, the Treasury has had to rely almost completely on new issues of notes, certificates, and bills -- securities that mature in five years or less and on which no interest rate ceiling applies.

There are three major arguments for removal of the ceiling. In the first place, forced reliance on short-term financing contributes to further shortening of a marketable debt that is already much too short in maturity. Today, almost 80 percent of the marketable debt matures within five years; this figure contrasts with 50 percent in 1946 and 67 percent at the end of 1952. Most of the shortening in the debt during the postwar period occurred between 1946 and the end of 1952, during which time the Treasury sold only $5.2 billion of marketable issues of more than five years' maturity. Since the end of 1952, $49-1/2 billion of over five-year securities have been marketed. But despite these determined efforts during the past seven years, the passage of time has moved more and more securities closer to maturity. Moreover, if the marketable debt does not change and no securities of more than five years' maturity are issued, the under five-year debt will swell to 87 percent of the total by the end of 1964.

Debt-lengthening must, therefore, continue to be a high priority goal of Treasury debt management. Otherwise, the average length of the debt will grow shorter and shorter, and Treasury refunding operations will occur more frequently and in larger amounts. This will not only tend to disrupt the Government securities market, but will also complicate the flexible administration of Federal Reserve credit policy. The relentless shortening in the public debt cannot be viewed with complacency.

Progressive shortening in the maturity of the public debt has another important implication, which leads to the second major argument for removal of the ceiling. All of us realize that the unbridled creation of new money to finance Government deficits or to pay off maturing issues would result in disastrous inflation. But apparently too few people realize that excessive reliance on short-term issues in debt management can also exert strong inflationary pressures. This is because the shorter the term of a

Government security, the more like money it is. A 25-year Treasury bond is a true investment instrument, but a Government security maturing within a few days is almost the same as cash. Similarly, a security maturing within a few weeks, a few months, or even a year or two automatically turns into cash within a relatively short period of time. Thus, a large build-up in short-dated Government securities increases the inflationary potential embodied in the Government debt; holders can easily liquidate short-term securities to obtain cash for spending for goods and services, either by selling the securities or by simply letting them run off at maturity.

Federal fiscal and monetary policies have been used effectively in recent months to contain the inflationary pressures that, although sometimes dormant, are always present in a prosperous economy. But because of the interest rate ceiling, Treasury debt management -- the third major Government financial power -- has actually contributed to the inflationary potential in the economy.

A third major argument for removing the interest rate ceiling arises from the distortions in credit markets that result from confining Government financing to short-term securities. Even though we are now operating with a balanced budget, the Treasury must turn over $70 to $80 billion of marketable securities each year. The confinement of so huge an amount of financing to securities of less than five years' maturity -- and this will be the inevitable result if interest rates do not decline significantly from present levels and the ceiling is not removed -- may add unduly to pressure on the short-term market. Thus, short-term interest rates would be higher than otherwise would be the case, and the availability of credit to private short-term borrowers -- particularly consumers, small businesses, and farmers, all of whom rely heavily on short-term credit -- would be curtailed. Moreover, experience last autumn indicated clearly that such distortions can become so great as to result in a severe impact on savings institutions, with a resulting back-wash effect on the mortgage market. I shall say more about this aspect of debt management under a restrictive interest rate ceiling in a few minutes.

In view of the force of these arguments -- and there are others that could be mentioned -- many impartial observers are understandably puzzled as to why Congress has not yet acted favorably on the President's request. Moreover, the request has received widespread editorial endorsement in newspapers and periodicals throughout the country, and almost without exception leading professional economists have advocated removal of the ceiling in testimony before Congressional committees and in other statements. Furthermore, various national associations representing both borrowers and lenders have supported legislation to provide the needed Treasury flexibility in debt management. In addition to your own association, such groups

include the National Association of Home Builders, the National Retail Lumber Dealers Association, the National Association of Real Estate Boards, the National Small Businessmen's Association, the National Association of Mutual Savings Banks, the United States Savings and Loan League, the American Bankers Association, the Investment Bankers Association, the American Farm Bureau Federation, and the National Grange.

One would think, therefore, that those who oppose removal of the ceiling must base their case on some very strong arguments. What are the arguments that have been presented?

The first and most familiar argument is that removal of the ceiling would cause interest rates in general, including those on real estate mortgages, to rise. But if the ceiling were truly effective in holding down rates, it would be logical to expect rates on outstanding Government bonds to remain below the ceiling. During most of the past year, however, such yields have exceeded 4-1/4 percent.

The fact is, of course -- and this is no news to people who deal in Government-underwritten mortgages subject to statutory interest rate ceilings -- no Government-decreed interest rate ceiling can prevent forces of demand and supply from exerting their effects so long as credit markets are free. We cannot repeal the quotations on outstanding Government securities that are the product of each day's free market trading among thousands of holders of Government securities. If we would control interest rates, then we must control the actions of lenders, borrowers, and all market participants. But so long as we protect the basic freedom of the marketplace, and do not revert to direct controls, interest rates -- or the price of borrowed money -- will continue to reflect changes in the basic forces of demand and supply, including the impact of flexible monetary policies.

Rather than preventing interest rates from responding to market forces, the real effect of the ceiling is to prescribe the area of the market in which the Treasury can borrow. President Eisenhower put the matter succintly in a special message to Congress last summer. He said: "To prohibit the Treasury from paying the market price for long-term money is just as impracticable as telling the Defense Department that it cannot pay the fair market price for a piece of equipment. The result would be the same in either case: the Government could not get what it needs."

As a corollary to this argument, some of those who oppose removal of the ceiling argue that such action would only serve to enrich the large financial institutions of the Nation. This view

168

is basically in error because interest rates, as noted above, are not determined by Government edict but by forces of demand and supply; in and of itself, removal of the ceiling would not cause interest rates to rise. But even when interest rates do increase, it does not follow that the financial institutions themselves receive all of the benefit. Many of the large lending institutions in this country are mutual in nature, and this is particularly true of those that supply a large portion of the funds in the mortgage market. In the insurance industry, mutual companies account for approximately two-thirds of the assets; improved earnings reflecting higher interest rates are promptly reflected in increased dividends to policyholders. Moreover, mutual savings banks and savings and loan associations -- also mutual institutions -- have sharply stepped up their interest and dividend rates to savers as interest rates have risen during the postwar period, and rates paid by commercial banks on savings accounts have also risen considerably. Thus, a substantial portion of the rise in interest rates has been passed on to the saver.

Although commercial banks are not mutual institutions, it is important to understand that their current earnings would tend to fall rather than rise if the ceiling is removed. This is because the vast preponderance of commercial bank loans and investments are of relatively short maturity; for example, the average bank loan is estimated to mature in about 2 years and the Government securities banks hold have an average maturity of only 3-1/2 years. Both logic and experience indicate clearly that a principal effect of the interest rate ceiling is to force short-term interest rates to higher levels than would otherwise prevail, since the Treasury must arbitrarily confine its financing to the less than five-year maturity range. As short-term rates rise, including rates on bank loans and short-term Government securities, the current earnings of banks also expand. But if the Treasury could prudently spread its borrowing over a wider maturity range, pressure on short-term rates would be eased, and bank current earnings would tend to be less than would otherwise be the case. Commercial bankers are fully aware that the existence of the ceiling improves their current earnings; nevertheless, the American Bankers Association has strongly advocated its removal as being in the national interest.

A second argument sometimes made against removal of the interest rate ceiling is that, in so doing, Congress would in effect be relinquishing its historic right to determine the general terms of long-term bonds issued by the Treasury.

To determine general terms of new issues is one thing, but to lock the Treasury firmly into the short-term market is another. Rather than determining the general terms of new bond issues, Congress, in failing to remove the ceiling, is in effect flatly prohibiting any significant debt-lengthening through sale of long-term issues. The

Treasury is responsible for the management of our $290 billion public debt; that is precisely where the responsibility should rest. But by insisting on retention of the interest rate ceiling, the Congress is denying the Treasury the essential tools for sound, noninflationary debt management. If the responsibility is to rest with the Treasury, sufficient authority should be vested in Treasury officials to meet that responsibility.

According to a third argument, the interest rate ceiling should indeed be removed, but only if the Treasury first agrees to instituting some so-called "reforms" in its debt management operations. Such "reforms" include abolition of the committees of commercial bankers, investment bankers, and others that commonly advise the Treasury with respect to financings; sale of intermediate- and long-term securities at public auction; issuance of bonds with relatively early call provisions; and a signification of the intent of the Treasury to market long-term securities only when interest rates are relatively low. The proponents of these first three "reforms" maintain that their inauguration would probably permit the Treasury to sell bonds at lower interest rates than now prevail and, as a result, the removal of the ceiling would not be necessary.

The Treasury believes that just the reverse is true. If, for example, we discontinued our periodic consultations with advisory committees -- a practice, incidentally, that was started by Secretary Morgenthau in 1942 -- we would be foregoing the opportunity of obtaining firsthand and expert information on the Government securities market. Our only alternative, therefore, would be to price our securities more liberally -- to offer somewhat higher interest rates than otherwise -- in order to make certain that a particular financing did not fail. This void of information could not be filled by increasing the Treasury's debt management staff; the type of information that we obtain from the advisory committees can only be provided by individuals who operate daily in the Government securities market. By consulting with these committees, the Treasury obtains accurate and firsthand reports on the attitudes of the thousands of potential buyers of Government securities.

Moreover, it is important to emphasize that Treasury officials, in approaching a financing decision, talk to scores of individuals all over the country; in fact, these contacts are maintained on a more or less continuous basis. We also engage in intensive studies and analysis on our own. By the time the advisory committees are called in, responsible Treasury officials have already carefully considered the many alternatives involved. And in every case, all that the Treasury obtains from the committees, and other contacts, is advice: the final decision is made solely by the responsible Treasury officials.

Similarly, it is our judgment that extension of the auction technique to securities other than Treasury bills in the near future would result in higher -- rather than lower -- interest rates on Government securities. We would like to make greater use of the auction technique, because it simplifies our pricing problems with respect to new issues, and we have made considerable progress in this direction in the past 18 months by introducing the new 6-month and 1-year Treasury bills. In fact, we have during this period auctioned more new issues of Treasury securities than at any time in the past.

But the fact is that the auction technique is not widely understood among the investors most interested in acquiring longer-term Governments, and the chance of loss because of a bid too high in price (too low in terms of interest rate) is much greater on long-term issues than on bills. Thus, we feel that the use of auctions for intermediate- and long-term issues would significantly narrow the initial market for our securities; as a result the interest costs to the Treasury would be higher. This judgment is strongly supported by the fact that on the basis of the best evidence available, the use of auctions for the new 1-year bills during the past year on average has probably cost as much as 1/4 of 1 percent more than if fixed-price certificates had been issued. But we are hopeful that the quarterly auction of the 1-year bills will become a routine occurrence in the money market, and that wider understanding of the auction technique will result in an interest cost more closely in line with fixed-price issues of similar maturity.

Another important reason for not immediately extending the auction method to intermediate- and long-term securities involves the fact that, in so doing, the Treasury would give up all control over the initial allocation of its new issues. We believe that, in the public interest, it is highly desirable to sell as many of our new long-term bonds directly to true long-term investors as is practicable, and that preferential allotments should be used for this purpose. But in an auction, especially in a strong market in which speculation tends to occur, large portions of the new issues might be taken up by speculators rather than by permanent holders.

The case is even stronger, in our judgment, that the use of relatively early call features on Treasury bonds would result in higher initial interest costs to the Treasury. An investor will be willing to purchase a new 25-year Treasury bond, callable, say, in 5 years, only if the initial interest rate is sufficiently high to warrant his taking the risk of an early call. Still, we realize that call features, if properly constructed, may save interest costs for the Government over the long run. It is primarily for this reason that the most recently offered Treasury bond -- the 25-year, 4-1/4 percent issue sold last month -- included a 15-year call feature.

By extending the call feature to 15 years -- several years longer than prevails with respect to corporate issues -- we believed that the initial attractiveness of the security was not affected. We shall continue to use call features in the future when appropriate. But we do not believe that the public interest would be served if the Treasury were forced, either by statute or by a statement of intention, to place call features on all bonds offered in the future.

Although the suggestion that the Treasury market long-term bonds only when interest rates are low appears, on the surface, to have considerable merit, it is important to understand that this suggestion is tantamount to recommending that the Treasury ignore the state of the economy in its debt management decisions. This is because long-term interest rates usually fall to their lowest levels during business recessions. If the Treasury sold large amounts of long-term bonds during such periods, it would run the serious risk of absorbing long-term funds that would otherwise be used to finance homebuilding, State and local government projects, and business capital expenditures. Such a policy would, of course, impede recovery and might even intensify recessionary pressures. Minimization of interest rates, therefore, cannot be accepted as the overriding goal of Treasury debt management.

I have saved until last a final major argument that has been made against removal of the ceiling, partly because this particular argument is of primary interest to the mortgage industry, and partly because the course of events has definitely proved the argument to be incorrect. I refer to the statements that have been made from time to time that removal of the ceiling would severely damage the mortgage and home-building industries, inasmuch as new long-term securities sold by the Treasury would compete with real estate mortgages for the available supply of long-term money. As mortgage bankers know quite well, the existence of the ceiling has actually hurt the mortgage market and it has hurt homebuilding, and there is a real possibility that additional damage will occur in the future if the ceiling is not removed in this session of Congress.

When this particular argument was first made last summer, we pointed out that, even with the ceiling removed, we would not sell large amounts of new long-term bonds for cash. Instead, we would rely heavily on a technique known as "advance refunding," which would involve the exchange of new Treasury bonds for outstanding issues several years in advance of their final maturity. Inasmuch as such exchanges would merely involve the substitution of a new Treasury issue for an old issue in an investor's portfolio, the impact on the mortgage market -- and on the capital market in general -- would be minimized.

In all honesty, I must admit that we did not anticipate the impact on the mortgage market and homebuilding of the necessity of crowding almost all Treasury financing of the past year to within the 5-year range. But the case of the so-called "Magic 5s" is now a matter of history. Last October, when these securities were issued, the Treasury had no choice but to obtain as much of the $4 billion in cash needed at that time by issuing securities of 4 to 5 years' maturity. If we had not done so, and had crowded the entire $4 billion into the 1-year range, pressures on the money market would have become almost intolerable. Moreover, market quotations on outstanding Treasury issues made it clear that the notes issued in that financing, to be acceptable to investors in the amount offered, would have to carry an interest coupon of 5 percent.

As you know, the offering received wide publicity throughout the country; as a result, more than 100,000 individuals purchased $778 million of the securities. Much of this money represented withdrawals from savings accounts in banks and savings and loan associations. These institutions -- and particularly the mutual savings banks, which apparently were most affected -- were forced to reduce their commitments to acquire new real estate mortgages, and they understandably adopted a more cautious attitude in making new commitments, in view of the fact that the Treasury might again offer a similar security.

We have pointed out that we have no desire to sell large amounts of new marketable Treasury securities to individuals who purchase them by withdrawing funds from savings institutions. Such a procedure short-circuits our highly efficient financial mechanism in which financial institutions provide individual savers with safe and highly liquid investments and in turn assume the risk of holding investments of lesser liquidity. We had much rather sell our marketable bonds to the institutions themselves, but such institutions have in fact been liquidating Government securities during most of the postwar period.

But the hard fact is that we had no choice last October. And it is quite possible that, if the interest rate ceiling is not removed, conditions may arise in the future when we shall again have no choice. This would be most unfortunate, but we feel strongly that we can properly fulfill our responsibilities in debt management only if we make whatever efforts are possible, under existing law, to prevent our huge Government debt from moving closer and closer to maturity.

The decline in interest rates earlier this year -- which has since been reversed by market forces of demand and supply -- apparently convinced some people that there was no longer any reason for removal of the ceiling. This view, in our judgment, is and was wholly unwarranted. The very decline in interest rates earlier in the year, in contrast to widely held expectations to the contrary, is convincing

evidence that interest rate movements are quite unpredictable. We have no way of knowing which direction interest rates will move in the future, simply because we cannot accurately predict the outcome of the millions of individual decisions which, in a free economy, actually determine interest rates. Interest rates may stay close to present levels, they may go up, or they may go down. Unless they decline considerably from present levels, we shall continue to be locked into the less than 5-year sector of the market.

It would be most unfortunate indeed if Congress were to adjourn this session without taking action to provide the necessary flexibility for debt management, only to find that events during the several months before the new Congress convenes next January led once again to the type of severe market congestion that occurred last autumn.

The problem of the interest rate ceiling is not a short-run, transitory problem, nor should it be approached on a partisan basis. The ceiling, if not removed, can continue to obstruct debt management through many administrations in the future. In the interest of sound debt management -- which means in the public interest -- the 4-1/4 percent interest rate ceiling should be removed permanently and as soon as possible.

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A-830

IMMEDIATE RELEASE,
Thursday, April 28, 1960.

Holders of Treasury securities maturing May 15, 1960, will be offered on May 2 the right to exchange them for either of the following new issues:

4-3/8 percent one-year certificates of indebtedness to be dated May 15, 1960, and to mature May 15, 1961, at par; and
4-5/8 percent 5-year Treasury notes to be dated May 15, 1960, and to mature May 15, 1965, at par.

The maturing issues are:

$1,269 million of 4 percent Treasury Certificates of Indebtedness of Series B-1960, maturing May 15, 1960; and
$2,406 million of 3-1/2 percent Treasury Notes of Series A-1960, maturing May 15, 1960; and
$2,738 million of 3-1/4 percent Treasury Notes of Series B-1960, maturing May 15, 1960.

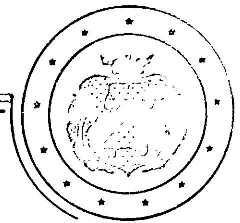
Cash subscriptions will not be received.

Interest on the new certificates will be payable on November 15, 1960, and May 15, 1961. Interest on the new notes will be payable May 15 and November 15 in each year.

Exchanges of the maturing 4 percent Treasury certificates and the 3-1/2 and 3-1/4 percent Treasury notes will be made for a like face amount of the eligible securities as of May 15. Coupons dated May 15 on the maturing certificates and notes should be detached by holders and cashed when due.

The subscription books will be open only on May 2 through May 4 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, May 4, will be considered as timely. The new securities will be delivered May 16.

The 4-5/8% 5-year notes will be made available in registered form, as well as bearer form.



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A-831

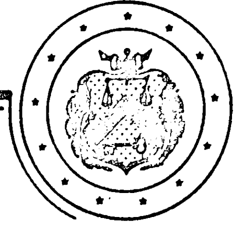
IMMEDIATE RELEASE
Friday, April 29, 1960

Secretary of the Treasury Robert B. Anderson today named Hollis S. Haggard as First Deputy Comptroller of the Currency to succeed Lewellyn A. Jennings who, as recently announced, has resigned to become senior vice president of the Republic National Bank of Dallas, Texas.

Mr. Haggard, a native of Missouri, has been in the service of the Comptroller's office since 1924. He was appointed an assistant national bank examiner in 1925 and was commissioned a national bank examiner in 1934. In 1944 he became District Chief National Bank Examiner of the St. Louis district and in 1950 he was transferred to the Boston district as District Chief Examiner. He was transferred to the Washington office and named Chief National Bank Examiner in 1955.

Comptroller of the Currency Ray M. Gidney concurrently named Reed Dolan as Chief National Bank Examiner. Mr. Dolan also is a veteran in the service of the Comptroller's office. A native of Kentucky, he was appointed an assistant national bank examiner in the Atlanta district in 1925 and was commissioned a national bank examiner in that district in 1930. During the so-called banking holiday in 1933 and 1934 he served in the Washington office as

TREASURY DEPARTMENT



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179 A-822

RELEASE A. M. NEWSPAPERS, Tuesday, May 3, 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 February 4, 1960, and the other series to be dated May 5, 1960, which were offered on April 28, were opened at the Federal Reserve Banks on May 2. 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:

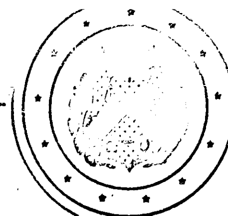
RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 4, 1960		182-day Treasury bills maturing November 3, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.265 a/	2.908%	98.326 b/	3.311%
Low	99.191	3.200%	98.294	3.375%
Average	99.241	3.003% 1/	98.307	3.349% 1/

a/ Excepting one tender of $100,000
b/ Excepting one tender of $1,324,000
82 percent of the amount of 91-day bills bid for at the low price was accepted
The entire 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	$ 20,402,000	$ 10,402,000	$ 3,229,000	$ 3,229,000
New York	1,219,890,000	669,090,000	594,694,000	278,194,000
Philadelphia	28,060,000	28,060,000	7,119,000	2,119,000
Cleveland	25,046,000	24,746,000	16,265,000	16,265,000
Richmond	11,740,000	11,740,000	1,078,000	1,078,000
Atlanta	16,553,000	16,553,000	5,119,000	5,119,000
Chicago	182,357,000	134,357,000	83,340,000	37,840,000
St. Louis	17,589,000	17,589,000	6,484,000	6,484,000
Minneapolis	10,665,000	10,665,000	2,696,000	2,496,000
Kansas City	20,957,000	20,957,000	6,852,000	6,802,000
Dallas	11,668,000	11,668,000	2,688,000	2,688,000
San Francisco	44,263,000	44,263,000	37,793,000	37,793,000
TOTALS	$1,609,190,000	$1,000,090,000 c/	$767,357,000	$400,107,000 d/

c/ Includes $200,638,000 noncompetitive tenders accepted at the average price of 99.241
d/ Includes $43,566,000 noncompetitive tenders accepted at the average price of 98.307
1/ Average rate on a coupon issue equivalent yield basis is 3.07% for the 91-day bills and 3.45% 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.



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, May 3, 1960. A-832

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 February 4, 1960, and the other series to be dated May 5, 1960, which were offered on April 28, were opened at the Federal Reserve Banks on May 2. 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 August 4, 1960		182-day Treasury bills maturing November 3, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.265 a/	2.908%	98.326 b/	3.311%
Low	99.191	3.200%	98.294	3.375%
Average	99.241	3.003% 1/	98.307	3.349% 1/

a/ Excepting one tender of $100,000
b/ Excepting one tender of $1,324,000
82 percent of the amount of 91-day bills bid for at the low price was accepted
The entire 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	$ 20,402,000	$ 10,402,000	$ 3,229,000	$ 3,229,000
New York	1,219,890,000	669,090,000	594,694,000	278,194,000
Philadelphia	28,060,000	28,060,000	7,119,000	2,119,000
Cleveland	25,046,000	24,746,000	16,265,000	16,265,000
Richmond	11,740,000	11,740,000	1,078,000	1,078,000
Atlanta	16,553,000	16,553,000	5,119,000	5,119,000
Chicago	182,357,000	134,357,000	83,340,000	37,840,000
St. Louis	17,589,000	17,589,000	6,484,000	6,484,000
Minneapolis	10,665,000	10,665,000	2,696,000	2,496,000
Kansas City	20,957,000	20,957,000	6,852,000	6,802,000
Dallas	11,668,000	11,668,000	2,688,000	2,688,000
San Francisco	44,263,000	44,263,000	37,793,000	37,793,000
TOTALS	$1,609,190,000	$1,000,090,000 c/	$767,357,000	$400,107,000 d/

c/ Includes $200,638,000 noncompetitive tenders accepted at the average price of 99.241
d/ Includes $43,566,000 noncompetitive tenders accepted at the average price of 98.307
1/ Average rate on a coupon issue equivalent yield basis is 3.07% for the 91-day bills and 3.45% 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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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 February 11, 1960, (91 days remaining until maturity date on August 11, 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 May 12, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 12, 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, May 5, 1960.

A-833

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 May 12, 1960, in the amount of $1,605,523,000, as follows:

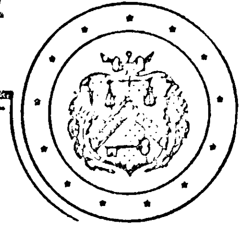
91-day bills (to maturity date) to be issued May 12, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 11, 1960, and to mature August 11, 1960, originally issued in the amount of $395,967,000, the additional and original bills to be freely interchangeable.

182-day bills, for $400,000,000, or thereabouts, to be dated May 12, 1960, and to mature November 10, 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 Daylight Saving time, Monday, May 9, 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



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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 February 11, 1960, (91 days remaining until maturity date on August 11, 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 May 12, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 12, 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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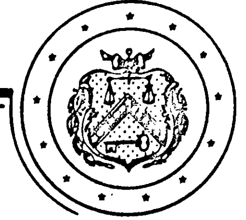
IMMEDIATE RELEASE,
Friday, May 6, 1960.

A-834

Preliminary figures show that about $5,767 million of the three issues of Treasury securities involved in the current refunding, aggregating $6,413 million, have been exchanged for the two new issues. Exchanges include about $3,661 million for the new one-year 4-3/8 percent certificates, and $2,106 million for the new 5-year 4-5/8 percent Treasury notes. About $646 million of the outstanding issues remain for cash redemption on May 16.

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

TREASURY DEPARTMENT



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237

RELEASE A. M. NEWSPAPERS,
Tuesday, May 10, 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 February 11, 1960, and the other series to be dated May 12, 1960, which were offered on May 5, were opened at the Federal Reserve Banks on May 9. 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 August 11, 1960		182-day Treasury bills maturing November 10, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.193 a/	3.193%	98.236 b/	3.489%
Low	99.155	3.343%	98.213	3.535%
Average	99.172	3.274% 1/	98.220	3.521% 1/

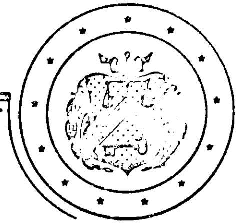
a/ Excepting one tender of $150,000
b/ Excepting 4 tenders totaling $820,000
9 percent of the amount of 91-day bills bid for at the low price was accepted
92 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,923,000	$ 14,923,000	$ 2,792,000	$ 2,792,000
New York	1,395,272,000	847,262,000	586,250,000	321,910,000
Philadelphia	30,361,000	30,361,000	10,417,000	5,417,000
Cleveland	25,579,000	25,579,000	15,311,000	10,311,000
Richmond	13,153,000	13,153,000	3,317,000	1,317,000
Atlanta	29,712,000	27,729,000	4,822,000	4,422,000
Chicago	180,343,000	121,213,000	78,188,000	24,988,000
St. Louis	20,038,000	19,038,000	5,2[illegible]1,000	4,281,000
Minneapolis	12,739,000	12,739,000	2,414,000	1,414,000
Kansas City	31,583,000	30,583,000	4,908,000	4,566,000
Dallas	12,667,000	12,667,000	2,941,000	2,941,000
San Francisco	45,534,000	44,834,000	30,945,000	15,720,000
TOTALS	$1,821,904,000	$1,200,081,000 c/	$747,586,000	$400,079,000 d/

c/ Includes $203,272,000 noncompetitive tenders accepted at the average price of 99.172
d/ Includes $38,346,000 noncompetitive tenders accepted at the average price of 98.220
1/ Average rate on a coupon issue equivalent yield basis is 3.35% for the 91-day bills and 3.63% 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, May 10, 1960.

A-835

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High	99.193 a/	3.193%	98.236 b/	3.489%
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Average	99.172	3.274% 1/	98.220	3.521% 1/

a/ Excepting one tender of $150,000
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TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
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Philadelphia	30,361,000	30,361,000	10,417,000	5,417,000
Cleveland	25,579,000	25,579,000	15,311,000	10,311,000
Richmond	13,153,000	13,153,000	3,317,000	1,317,000
Atlanta	29,712,000	27,729,000	4,822,000	4,422,000
Chicago	180,343,000	121,213,000	78,188,000	24,988,000
St. Louis	20,038,000	19,038,000	5,281,000	4,281,000
Minneapolis	12,739,000	12,739,000	2,414,000	1,414,000
Kansas City	31,583,000	30,583,000	4,908,000	4,566,000
Dallas	12,667,000	12,667,000	2,941,000	2,941,000
San Francisco	45,534,000	44,834,000	30,945,000	15,720,000
TOTALS	$1,821,904,000	$1,200,081,000 c/	$747,586,000	$400,079,000 d/

c/ Includes $203,272,000 noncompetitive tenders accepted at the average price of 99.172
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STATEMENT ON ALTERNATIVE APPROACH TO H. R. 10
BY DAVID A. LINDSAY, GENERAL COUNSEL OF THE TREASURY,
BEFORE THE SENATE FINANCE COMMITTEE, 10:00 A.M.,
MAY 11, 1960

It is a privilege to appear before this Committee. We had the opportunity to state our views on H. R. 10 in its present form before this Committee last June and therefore will not repeat our objections to the bill at this time. We are mindful of the Committee's announcement that these hearings are on that part of the Treasury alternate to H. R. 10 which proposes amending existing law by limiting benefits of pension plans covering owner-managers of corporations.

Before discussing the proposed limitations, it is necessary briefly to describe, in general terms, the alternate to H. R. 10.

General Description of Alternate to H. R. 10

The alternative approach is described in Under Secretary Fred C. Scribner, Jr.'s letter of April 1, 1960, to the Chairman of this Committee. In brief, it would allow, subject to limitations, self-employed individuals (including partners) the right to be included in qualified pension plans. This would permit self-employed individuals to secure the benefits of such a pension plan only by establishing a plan meeting the requirements of the Internal Revenue Code as to non-discrimination of benefits and coverage. In other words, a self-employed person would have to give his employees, if any, access to pension benefits on a comparable basis in order to obtain these benefits himself. His plan, however, would not necessarily have to cover all

employees, but could exclude seasonal and part-time workers as well as full-time employees with not more than five years of service. While an owner without employees could establish a qualified pension plan for himself, the terms of the plan would have to provide for granting comparable benefits to any future employees.

As under present law, the qualified pension plans covering self-employed individuals could be funded through contributions to a trust or by purchase of an annuity contract directly from an insurance company. Self-employed individuals establishing such plans for themselves and their employees could, if they choose to do so, use associations to pool their separate funds for investment purposes.

In order to simplify administration from the standpoint of not only the individuals concerned but also the Internal Revenue Service, consideration should be given to permitting self-employed individuals to invest their pension funds directly in special non-negotiable Federal Government retirement bonds without the use of a trust. This would make possible the investment of pension funds with a minimum of complexity and expense. It would also be likely to reduce abuses in the misuse of pension funds and attendant complexity in the application of so-called prohibited transaction rules.

Need for Limitations

Historically, pension and profit-sharing plans have been accorded special tax treatment on the premise that they are for the exclusive

191

benefit of employees. As we have already noted, the statute confines this special treatment to qualified pension plans which meet certain tests as to nondiscrimination in favor of shareholders, executives or highly paid employees. Moreover, from the outset, the regulations have provided that a pension plan which is so designed as to amount to a subterfuge for the distribution of profits to shareholders will not qualify as a plan for the exclusive benefit of employees.

Though a self-employed person cannot now be covered by a qualified pension plan, an owner-manager of a corporation may be covered by such a plan. This is because technically the latter is an employee of the corporation even though he owns it. This means that an owner-manager of a corporation may now arrange to secure all the tax advantages associated with coverage in a qualified plan despite the fact that, as the owner, he can establish the plan and arrange the conditions including the size of the contributions and benefits for covered individuals.

As a practical matter, where there are a substantial number of employees besides the owner, there are limits to the amounts that an owner-manager can afford to have contributed for himself under a qualified plan. Since qualified pension plans must not discriminate in regard to coverage and benefits, an owner-manager of a corporation with many employees generally can receive substantial pension benefits only by going to the considerable expense of providing other

employees pension benefits on a comparable basis.

However, owner-managers of corporations who have no employees or a relatively small number of employees earning modest salaries can now provide themselves with substantial pensions under qualified plans without incurring considerable extra costs to pay for comparable pension benefits for others. Under such conditions, therefore, the contributions under the plan in effect may benefit only or mainly the owner of an enterprise. The tax avoidance possibilities in this type of situation can be substantial.

In an effort to deal with this problem, the Service, in 1944, ruled as follows:

> "A pension or profit-sharing plan shall not generally be considered to be for the benefit of shareholders if contributions which are required to provide benefits for employees, each of whom owns, directly or indirectly, more than 10 percent of the voting stock of the corporation, do not exceed, in the aggregate, 30 percent of the contributions for all participants under the plan. For the purpose of determining stock ownership, an individual shall be considered as owning the stock owned by the spouse and minor lineal descendants of such individual." (I.T. 3674, C.B. 1944, 315)

However, this 30 percent rule, which was designed to prevent owner-managers of closely held corporations from using pension plans as a device to provide benefits principally for themselves, was held invalid by the Tax Court in Volkening Inc. (1949-13 T.C. 723) since there was no specific statutory authority for the rule.

The House version of H. R. 8300, the bill which was adopted

into law as the Internal Revenue Code of 1954, would have restored, in modified form, the 30 percent limitation on contributions made for stockholders as part of a thoroughgoing revision of the pension provisions. However, in view of the very fundamental changes involved in the House bill, at the recommendation of the Treasury Department, your Committee decided to postpone them pending further study.

Accordingly, quite apart from the extension of coverage under qualified pension plans to self-employed individuals, legislative provisions are now required to prevent owner-managers of corporations from securing unwarranted advantages by establishing pension plans providing benefits mainly for themselves.

For similar reasons it would be essential to impose similar limitations on the pension contributions or benefits that self-employed individuals would be permitted to provide for themselves if they are permitted to be covered by qualified pension plans. Moreover, in order to provide equal tax treatment it is necessary to apply the same limitations to pension contributions on behalf of owner-managers of corporations and self-employed people. Unless there is such equal treatment of both groups, there will be a continuation of the very troublesome problems that now result from attempts on the part of partners to be treated as corporations in order to secure pension advantages. The result would be to grant owners different tax treatment with regard to retirement savings depending upon the form of doing business.

Proposed Limitations

Under Secretary Scribner's letter of April 1, 1960, indicates the kinds of limitation that should be placed on pension contributions on behalf of self-employed individuals and owner-managers of corporations in order to prevent unwarranted tax advantages from accruing to such individuals under qualified plans.

The Treasury Department believes that these limitations should be put into effect immediately for pension plans covering self-employed individuals and corporate owner-managers which are established after the effective date of the legislation. To allow a transition period, existing plans covering owner-managers which were established before the effective date of the legislation should be allowed a two-year grace period before being required to comply on a prospective basis with the new rules. Such action would permit, if found necessary, further extension of the grace period and in the meantime focus adequate continuous attention to the problem to insure that the soundest possible solution is developed. We do not believe that legislation that does nothing more than grant benefits to the self-employed is justified at this time in terms of either competing priorities for tax relief or sound budgetary requirements. Legislation may be justified, notwithstanding loss in revenue, if it accomplishes needed reforms and points the way to equalization in the pension area on a sound basis.

395

Under the Treasury's approach, deductible contributions to a qualified pension plan for self-employed individuals or owner-managers with an ownership interest of 10 percent or more would be permitted up to 10 percent of earned income but not more than $2,500 a year. This basic allowance is the same as under H. R. 10 except that (a) consistent with the treatment of employees under pension plans, the allowance under the Treasury approach is based on earned income rather than on self-employment income which may include earnings from investment; (b) H. R. 10 limits the total lifetime deductions for any self-employed person to $50,000 (the Treasury alternative does not impose any lifetime ceiling on deductions); and (c) H. R. 10 allows all self-employed individuals over 50 on the effective date of the legislation to invest and deduct extra amounts.

The 10 percent - $2,500 limits are intended to provide a basic allowance for contributions to a pension plan on behalf of owners who do not provide substantial contributions for employees. However, it would be consistent with the purpose of pension plans to allow deductible contributions for owners to exceed these basic limits where the plan provides substantial contributions for other employees. Accordingly, we have suggested that a self-employed person or an owner-manager of a corporation should not be bound by the 10 percent - $2,500 limits otherwise applying to deductible contributions on his own behalf if the deductible contributions vested in employees are

198

at least twice the amount he contributes for himself. This does not mean all contributions must be immediately vested. The test could be met under a graduated vesting plan. Under such conditions the owners would be permitted to make contributions exceeding the basic amounts without any special limitation provided all contributions and benefits are nondiscriminatory.

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Two additional limitations recommended in our letter of April 1, 1960, are intended to give more concrete statutory backing for administrative positions in the pension-plan area which thus far have not been seriously challenged but which, if upset in future litigation, would create serious additional problems.

First, where the pension plan does not provide all covered employees with vested rights, forfeitable contributions made on behalf of employees should not be permitted to accrue eventually to the self-employed person establishing the plan. Instead, as under present Income Tax Regulations relating to pension plans, any forfeitures resulting under the pension plan should be used to reduce the employer's contributions and should not be used to increase benefits for the remaining participants.

Second, to reduce the amounts reverting to an employer on termination of a pension plan, all employees covered at the time of termination should be given vested rights to benefits, as under present administrative rules.

Under the statute, employers may establish pension plans geared to social security benefits and in so doing take credit for social security benefits relating to the first $4,800 of salaries. However, we take the position that if only the owner of the business is covered by the private contributions and all or almost all employees are in reality deprived of benefits under the plan because they earn $4,800 or less or small amounts in excess of $4,800, the plan is inherently discriminatory. While this is generally the present administrative position, it is not as firmly defined as the rules on forfeiture and termination. Accordingly, we recommend that the pension plan should not take credit for social security benefits if the total amount of the contributions for self-employed persons and corporate-owner-managers exceeds one-half of the total annual deductible contributions vested in all employees who are neither owners nor close relatives of the owner. Further recommendations pertaining to the integration of pension plans with social security are suggested in our letter of April 1, 1960, for future consideration.

* * * * *

In our letter of April 1, 1960, we did not suggest that covered employees be granted vested rights where the contributions under the plan for owners do not exceed the basic 10 percent - $2,500 limitation. If vesting were required for all plans subject to this limitation, it is possible that some hardships might arise. It may be possible that where there are several owners of a business, contributions made on their behalf could be made truly forfeitable. By

and large, however, where there is a single owner of a business, whether or not the business is incorporated, amounts set aside on behalf of the owner are as a practical matter vested. It would seem, therefore, that contributions on behalf of such an employer's employees should be similarly vested if we are to keep faith with the requirement that the plan is not to be discriminatory and that the employees must receive benefits comparable to those accorded the owner. From the point of view of administration, the simplest rule is one which would require immediate vesting, at least in the area where the owner of the business, by reason of his controlling position, has in substance vested rights under the plan.

* * * * *

As stated in our letter of April 1, 1960, we recommend, but with appropriate safeguards, that self-employed individuals might be permitted to participate in a form of retirement plan which would allow them to set aside funds in profitable years but would not require them to do so in nonprofitable years. This suggestion, described in more detail in our letter of April 1, would, in effect, tighten the rules of existing law applicable to profit-sharing plans for the owners of a corporate enterprise, at least to the extent that the bulk of the benefits go to such owners. While profit-sharing plans are often lumped together with pension plans, there are a number of problems in the profit-sharing area that call for special attention. Particularly in the case of an owner of a business

or a self-employed individual without substantial employees, profit-sharing plans may in operation be highly discriminatory in favor of the owner because of the timing of contributions and the fact that forfeitures increase benefits to remaining employees.

Profit-sharing may be an appropriate device for permitting employees to share more in the profits of an enterprise than would be the case if the total compensation were based on commitments regardless of profits. In the case of an owner of a business or a self-employed individual without substantial employees, profit-sharing is more in the nature of a tax-saving device since such persons in any event are entitled to all of the profits of the enterprise.

Even with respect to the larger plans where the bulk of the benefits go to the employees, future consideration should be given to restoring the rule that a qualified profit-sharing plan must set forth a definite formula for determining the profits of the employer to be shared and for distributing such profits among his employees or their beneficiaries.

Additional Recommendations

The foregoing highlights the major proposed limitations recommended by the Treasury with the exception of those items which, due to insufficient time, have been postponed for future consideration. In addition, the April 1, 1960, letter contains recommendations pertaining to contributory plans, premature withdrawals, and prohibited transactions. While important, these recommendations

should not require further elaboration in the context of these hearings.

In our letter of April 1, 1960, it was suggested that pension contributions on behalf of each self-employed individual or owner-manager of a corporation could be as much as the largest annual deductible contribution vested in any employee who is neither an owner nor a close relative of an owner. On further examination, this recommendation appears troublesome and we recommend against its adoption.

*   *   *   *   *

We appreciate the Committee affording us an opportunity to discuss the alternative approach and more particularly that part of the approach which on a transition basis would make it possible to cope with the pressing problems in the corporate area.

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 February 18, 1960, (91 days remaining until maturity date on August 18, 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 May 19, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 19, 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-837

RELEASE A. M. NEWSPAPERS,
Thursday, May 12, 1960.
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The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,700,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing May 19, 1960 (3), in the amount of $ 1,603,169,000 (4), as follows:

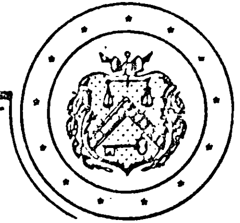
91 (5) -day bills (to maturity date) to be issued May 19, 1960 (6), in the amount of $1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated February 18, 1960 (8), and to mature August 18, 1960 (9), originally issued in the amount of $ 400,041,000 x(10)x, the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 x(12)x, or thereabouts, to be dated May 19, 1960 x(13)x, and to mature November 17, 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 Daylight Saving ~~Standard~~ time, Monday, May 16, 1960 x(15)x. 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 February 18,1960, (91 days remaining until maturity date on August 18, 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 May 19, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 19, 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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205

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 May 10, 1960	Established 33-1/3% of Total Quota	Imports Sept. 20, 1959 to May 10, 1960 1/
United Kingdom	4,323,457	1,797,030	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	2,218,325	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, MAY 13, 1960.

A-838

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 - May 10, 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	19,908	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 - May 10, 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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Italy	21,263	2,260	7,088	2,260
	5,482,509	2,218,325	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, MAY 13, 1960.

A-839

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 - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - May 10, 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	20,303,102	-	-	-	
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	1,436,230
Bolivia	5,040,000	3,985,358	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	4,417,136	66,480,000	66,480,000	37,840,000	11,908,606
Italy	-	-	-	-	-	-	3,600,000	1,575,056
Mexico	-	-	36,880,000	10,219,826	70,480,000	42,231,420	6,320,000	1,321,927
Peru	16,160,000	7,705,611	12,880,000	2,337,754	35,120,000	12,893,334	3,760,000	1,101,318
Un. So. Africa	14,880,000	8,109,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	7,727,931	-	-	-	-
All other foreign countries (total)	6,560,000	1,741,604	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	2,011,017

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MAY 13, 1960.

A-839

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QUARTERLY QUOTA PERIOD - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - May 10, 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	20,303,102	-	-	-	
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	1,436,230
Bolivia	5,040,000	3,985,358	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	4,417,136	66,480,000	66,480,000	37,840,000	11,908,606
Italy	-	-	-	-	-	-	3,600,000	1,575,056
Mexico	-	-	36,880,000	10,219,826	70,480,000	42,231,420	6,320,000	1,321,927
Peru	16,160,000	7,705,611	12,880,000	2,337,754	35,120,000	12,893,334	3,760,000	1,101,318
Un. So. Africa	14,880,000	8,109,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	7,727,931	-	-	-	-
All other foreign countries (total)	6,560,000	1,741,604	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	2,011,017

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, MAY 13, 1960.

A-840

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to April 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 April 30, 1960
Buttons............	765,000	Gross	166,831
Cigars.............	180,000,000	Number	1,184,395
Coconut oil........	403,200,000	Pound	32,248,038
Cordage............	6,000,000	Pound	1,489,495
Sugars (Refined.....	1,904,000,000	Pound	29,856,000*
Sugars (Unrefined...			1,081,170,000*
Tobacco............	5,850,000	Pound	4,719,677

* Information furnished by Department of Agriculture.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, MAY 13, 1960.

A-840

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to April 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 April 30, 1960
Buttons............	765,000	Gross	166,831
Cigars.............	180,000,000	Number	1,184,395
Coconut oil........	403,200,000	Pound	32,248,038
Cordage............	6,000,000	Pound	1,489,495
Sugars (Refined.....	1,904,000,000	Pound	29,856,000*
Sugars (Unrefined...			1,081,170,000*
Tobacco............	5,850,000	Pound	4,719,677

* Information furnished by Department of Agriculture.

6318

TREASURY DEPARTMENT
Washington, D. C.

214

MEDIATE RELEASE
FRIDAY, MAY 13, 1960.

A-841

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

Commodity	Period and	Quantity	Unit of Quantity	Imports as of April 30, 1960
ariff-Rate Quotas:				
eam, fresh or sour............	Calendar Year	1,500,000	Gallon	28
ole milk, fresh or sour......	Calendar Year	3,000,000	Gallon	57
ttle, 700 lbs. or more each (other than dairy cows).......	April 1, 1960 - June 30, 1960	120,000	Head	8,712
ttle, less than 200 lbs. ea..	12 mos. from April 1, 1960	200,000	Head	7,884
sh, fresh or frozen, filleted tc., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	36,533,173	Pound	16,187,012 [1/]
na fish.......................	Calendar Year	53,448,330	Pound	13,516,144
ite or Irish potatoes:				
ertified seed.................	12 mos. from	114,000,000	Pound	52,859,420
ther..........................	Sept. 15, 1959	36,000,000	Pound	4,123,733
lnuts.........................	Calendar Year	5,000,000	Pound	2,961,388
anut oil......................	12 mos. from July 1, 1959	80,000,000	Pound	423
olen fabrics..................	Calendar Year	13,500,000	Pound	Quota filled
olen fabrics - res. Proc. 3285 and 3317 T. Ds. 54845 and 54955)......	March 7 - December 31, 1960	350,000	Pound	191,581
ainless steel table flatware table knives, table forks, table spoons)................	Nov. 1, 1959 - Oct. 31, 1960	69,000,000	Pieces	63,659,769

Imports for consumption at the quota rate are limited to 18,266,586 pounds during the first six months of the calendar year.

(over)

opportunities of the '60's and the continuing threat to our national security depends on our financial soundness.

The American dollar is sound today. It is held abroad as the principal reserve currency of the free world. It has earned the confidence of Americans as they watch carefully the Government's efforts to do everything it can to sustain the purchasing power of our currency.

The current strength of the American dollar rests to a considerable extent on the steps which the Government has already taken to conduct its financial affairs prudently. Its future strength depends on the continuation and redoubling of our effort in the years ahead. In this effort, responsible fiscal policy -- which includes a self-sustaining postal service -- must shoulder major responsibility.

most effective action to dampen the surge of inflationary pressures which had built up in our nation during the preceding 18 months. It has already had that effect.

The President's decision, despite the appeal of tax reduction, to apply the projected $4.2 billion surplus to a reduction of the public debt in the fiscal year 1961 was a wise and courageous step. A prospect of a budget surplus is always an open invitation to carve it up either through increased spending for projects which, though they may be desirable, are beyond what we should prudently undertake, or through a reduction in tax rates. We firmly believe that the American people, together with their elected representatives, have the vision and common sense to resist these pressures.

I would like to remind you of two facts which are extremely important. In the first place, the application of a $4.2 billion surplus to a reduction of the public debt in fiscal 1961 represents only a 1-1/2% cut -- a very modest figure -- in the debt outstanding. Secondly, the $4.2 billion surplus, impressive though it is, will permit us to offset less than one-third of the combined deficits aggregating $15.2 billion which the Federal Government incurred during the two fiscal years 1958 and 1959. Although recession-born deficits are an accepted part of our basic philosophy of fiscal policy, much of that acceptability is lost if we fail to offset those deficits during succeeding years of prosperity.

We are now entering the decade of the 1960's, with a genuine prospect for vigorous economic growth and higher standards of living. We are still in an environment of international tension. Our ability to meet both the

TREASURY DEPARTMENT
Washington

Statement by Julian B. Baird, Under Secretary of the Treasury, before the House Post Office and Civil Service Committee on Postal Rate Increases, 11:30 a.m., Thursday, May 12, 1960

I am glad to have the opportunity to appear before you today in support of H.R. 11140. As you know, the provisions of this bill would increase postal revenues by an estimated $554 million in the fiscal year 1961. This is the amount required to place the postal service on a self-sustaining basis in accordance with the policy laid down by the Congress in the Postal Policy Act of 1958. The intent of this legislation was that postal rates should be adjusted from time to time so that postal revenues would properly cover total postal costs, except for those costs directly attributable to particular public services.

It is clear, therefore, that the Congress is not measuring up to its own standards of responsibility if it permits chronic postal deficits to continue. Postal deficits since 1946 have totaled $6.8 billion. As a result, additional interest charges of more than $200 million a year have been added to the current Federal budget. Furthermore, an amount of this general magnitude will, in effect, be added to the burden of future generations in perpetuity, and the amount will tend to grow further if future operations of the postal service are not on a self-sustaining basis.

The passage of H.R. 11140 is an essential part of the President's program leading to a $4.2 billion budget surplus projection for the fiscal year 1961. Failure to meet the need for a postal rate increase will materially reduce this budget surplus.

The President's projection of a $4.2 billion surplus in his January message on the State of the Union was heralded around the world as the single

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The President's projection of a $4.2 billion surplus in his January message on the State of the Union was heralded around the world as the single

220

opportunities of the '60's and the continuing threat to our national security depends on our financial soundness.

The American dollar is sound today. It is held abroad as the principal reserve currency of the free world. It has earned the confidence of Americans as they watch carefully the Government's efforts to do everything it can to sustain the purchasing power of our currency.

The current strength of the American dollar rests to a considerable extent on the steps which the Government has already taken to conduct its financial affairs prudently. Its future strength depends on the continuation and redoubling of our effort in the years ahead. In this effort, responsible fiscal policy -- which includes a self-sustaining postal service -- must shoulder major responsibility.

A-843

IMMEDIATE RELEASE,
Friday, May 13, 1960.

The results of the Treasury's current exchange offering of 4-3/8 percent one-year certificates of indebtedness, due May 15, 1961, and 4-5/8 percent five-year notes, due May 15, 1965, both to be dated May 15, 1960, are summarized in the following tables.

Maturing Issues	Eligible for Exchange	Exchange Subscriptions			For Cash Redemption
		4-3/8% Ctfs.	4-5/8% Notes	Total	
	(In thousands of dollars)				
4% Ctfs., B-1960	$1,269,461	$ 927,972	$ 243,442	$1,171,414	$ 98,047
3-1/2% Notes, A-1960	2,406,125	1,037,448	1,085,455	2,122,903	283,222
3-1/4% Notes, B-1960	2,737,635	1,707,973	784,058	2,492,031	245,604
Total	$6,413,221	$3,673,393	$2,112,955	$5,786,348	$626,873

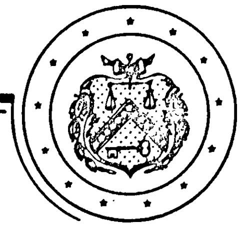
Exchanges for 4-3/8% Certificates of Indebtedness of Series B-1961

Federal Reserve District	4% Ctfs. of Series B-1960	3-1/2% Notes of Series A-1960	3-1/4% Notes of Series B-1960	Total Exchanges for B-1961 Ctfs.
Boston	$ 27,500,000	$ 34,165,000	$ 39,227,000	$ 100,892,000
New York	588,648,000	496,475,000	1,097,482,000	2,182,605,000
Philadelphia	13,817,000	28,308,000	29,089,000	71,214,000
Cleveland	29,844,000	58,008,000	52,824,000	140,676,000
Richmond	12,280,000	26,660,000	20,071,000	59,011,000
Atlanta	19,733,000	33,181,000	60,016,000	112,930,000
Chicago	95,585,000	142,481,000	170,660,000	408,726,000
St. Louis	17,306,000	29,550,000	27,285,000	74,141,000
Minneapolis	16,081,000	34,573,000	29,682,000	80,336,000
Kansas City	34,128,000	26,559,000	50,873,000	111,560,000
Dallas	20,006,000	26,831,000	30,910,000	77,747,000
San Francisco	45,446,000	77,636,000	97,232,000	220,314,000
Treasury	7,598,000	23,021,000	2,622,000	33,241,000
TOTAL	$927,972,000	$1,037,448,000	$1,707,973,000	$3,673,393,000

Exchanges for 4-5/8% Notes of Series A-1965

Federal Reserve District	4% Ctfs. of Series B-1960	3-1/2% Notes of Series A-1960	3-1/4% Notes of Series B-1960	Total Exchanges for A-1965 Notes
Boston	$ 31,503,000	$ 34,992,000	$ 32,189,000	$ 98,684,000
New York	91,938,000	505,828,000	374,306,000	972,072,000
Philadelphia	4,922,000	24,829,000	16,268,000	46,019,000
Cleveland	18,486,000	71,240,000	56,364,000	146,090,000
Richmond	6,844,000	15,710,000	21,250,000	43,804,000
Atlanta	7,511,000	29,545,000	29,844,000	66,900,000
Chicago	49,646,000	162,339,000	145,223,000	357,208,000
St. Louis	7,347,000	29,913,000	19,868,000	57,128,000
Minneapolis	8,114,000	25,807,000	17,001,000	50,922,000
Kansas City	6,744,000	44,814,000	27,105,000	78,663,000
Dallas	2,861,000	20,668,000	12,430,000	35,959,000
San Francisco	6,170,000	69,192,000	31,710,000	107,072,000
Treasury	1,356,000	50,578,000	500,000	52,434,000
TOTAL	$243,442,000	$1,085,455,000	$784,058,000	$2,112,955,000

TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE,
Friday, May 13, 1960.

A-843

The results of the Treasury's current exchange offering of 4-3/8 percent one-year certificates of indebtedness, due May 15, 1961, and 4-5/8 percent five-year notes, due May 15, 1965, both to be dated May 15, 1960, are summarized in the following tables.

Maturing Issues	Eligible for Exchange	Exchange Subscriptions 4-3/8% Ctfs.	Exchange Subscriptions 4-5/8% Notes	Exchange Subscriptions Total	For Cash Redemption
	(In thousands of dollars)				
4% Ctfs., B-1960	$1,269,461	$ 927,972	$ 243,442	$1,171,414	$ 98,047
3-1/2% Notes, A-1960	2,406,125	1,037,448	1,085,455	2,122,903	283,222
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Total	$6,413,221	$3,673,393	$2,112,955	$5,786,348	$626,873

Exchanges for 4-3/8% Certificates of Indebtedness of Series B-1961

Federal Reserve District	4% Ctfs. of Series B-1960	3-1/2% Notes of Series A-1960	3-1/4% Notes of Series B-1960	Total Exchanges for B-1961 Ctfs.
Boston	$ 27,500,000	$ 34,165,000	$ 39,227,000	$ 100,892,000
New York	588,648,000	496,475,000	1,097,482,000	2,182,605,000
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San Francisco	45,446,000	77,636,000	97,232,000	220,314,000
Treasury	7,598,000	23,021,000	2,622,000	33,241,000
TOTAL	$927,972,000	$1,037,448,000	$1,707,973,000	$3,673,393,000

Exchanges for 4-5/8% Notes of Series A-1965

Federal Reserve District	4% Ctfs. of Series B-1960	3-1/2% Notes of Series A-1960	3-1/4% Notes of Series B-1960	Total Exchanges for A-1965 Notes
Boston	$ 31,503,000	$ 34,992,000	$ 32,189,000	$ 98,684,000
New York	91,938,000	505,828,000	374,306,000	972,072,000
Philadelphia	4,922,000	24,829,000	16,268,000	46,019,000
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Dallas	2,861,000	20,668,000	12,430,000	35,959,000
San Francisco	6,170,000	69,192,000	31,710,000	107,072,000
Treasury	1,356,000	50,578,000	500,000	52,434,000
TOTAL	$243,442,000	$1,085,455,000	$784,058,000	$2,112,955,000

FISCAL SERVICE
OFFICE OF
FISCAL ASST. SECRETARY

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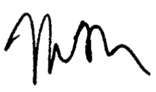
TREASURY DEPARTMENT

May 5, 1960

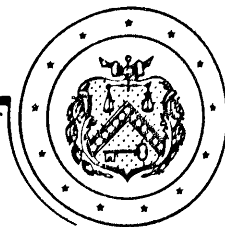
MEMORANDUM TO MR. MARTIN L. MOORE:

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

Purchases	$17,424,000.00
Sales	1,068,500.00
NET PURCHASES . . .	16,355,500.00



TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE,
~~Friday, April 15~~, 1960. A-~~818~~ A-844
Monday, May 16

During ~~March~~ April 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 ~~$43,081,500.~~ $16,355,500.

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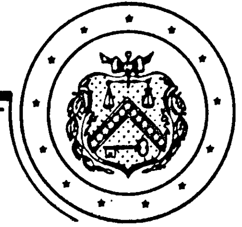
TREASURY DEPARTMENT

225



WASHINGTON, D.C.

IMMEDIATE RELEASE,
Monday, May 16, 1960.

A-844

During April 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 $16,355,500.

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225 A-345

RELEASE A. M. NEWSPAPERS, Tuesday, May 17, 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 February 18, 1960, and the other series to be dated May 19, 1960, which were offered on May 12, were opened at the Federal Reserve Banks on May 16. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 August 18, 1960		182-day Treasury bills maturing November 17, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.065 a/	3.699%	98.010 b/	3.936%
Low	99.026	3.853%	97.958	4.039%
Average	99.041	3.793% 1/	97.978	4.000% 1/

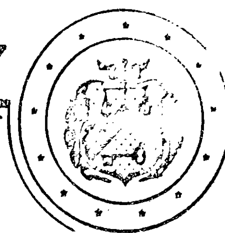
a/ Excepting three tenders totaling $678,000
b/ Excepting one tender of $300,000
20 percent of the amount of 91-day bills bid for at the low price was accepted
7 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 26,977,000	$ 16,977,000	$ 17,633,000	$ 17,633,000
New York	1,351,159,000	842,159,000	752,355,000	359,640,000
Philadelphia	28,310,000	13,310,000	7,563,000	2,563,000
Cleveland	37,124,000	32,124,000	22,779,000	13,129,000
Richmond	10,267,000	10,267,000	4,856,000	4,856,000
Atlanta	18,775,000	17,875,000	4,328,000	4,328,000
Chicago	183,794,000	119,194,000	79,747,000	33,597,000
St. Louis	19,698,000	19,198,000	3,715,000	3,715,000
Minneapolis	9,824,000	9,624,000	2,505,000	1,905,000
Kansas City	31,960,000	31,160,000	14,761,000	11,661,000
Dallas	13,507,000	13,507,000	4,335,000	4,335,000
San Francisco	77,606,000	74,706,000	46,178,000	42,678,000
TOTALS	$1,809,001,000	$1,200,101,000 c/	$960,755,000	$500,040,000 d/

c/ Includes $228,229,000 noncompetitive tenders accepted at the average price of 99.041
d/ Includes $45,365,000 noncompetitive tenders accepted at the average price of 97.978
1/ Average rate on a coupon issue equivalent yield basis is 3.88% for the 91-day bills and 4.14% 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.

RELEASE A. M. NEWSPAPERS, Tuesday, May 17, 1960.

A-845

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 February 18, 1960, and the other series to be dated May 19, 1960, which were offered on May 12, were opened at the Federal Reserve Banks on May 16. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

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High	99.065 a/	3.699%	98.010 b/	3.936%
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Average	99.041	3.793% 1/	97.978	4.000% 1/

a/ Excepting three tenders totaling $678,000
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20 percent of the amount of 91-day bills bid for at the low price was accepted
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Atlanta	18,775,000	17,875,000	4,328,000	4,328,000
Chicago	183,794,000	119,194,000	79,747,000	33,597,000
St. Louis	19,698,000	19,198,000	3,715,000	3,715,000
Minneapolis	9,824,000	9,624,000	2,505,000	1,905,000
Kansas City	31,960,000	31,160,000	14,761,000	11,661,000
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TOTALS	$1,809,001,000	$1,200,101,000 c/	$960,755,000	$500,040,000 d/

c/ Includes $228,229,000 noncompetitive tenders accepted at the average price of 99.041
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STATUTORY DEBT LIMITATION
AS OF APRIL 30, 1960

Washington, May 17, 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	$37,144,178,000		
Certificates of indebtedness	15,245,149,000		
Treasury notes	50,570,985,000	$102,960,312,000	
Bonds-			
Treasury	85,137,363,650		
* Savings (current redemp. value)	47,641,867,747		
Depositary	171,097,500		
Investment series	6,969,717,000	139,920,045,897	
Special Funds-			
Certificates of indebtedness	7,781,098,000		
Treasury notes	10,483,900,000		
Treasury bonds	24,578,110,000	42,843,108,000	
Total interest-bearing		285,723,465,897	
Matured, interest-ceased		409,721,849	
Bearing no interest:			
United States Savings Stamps	54,391,293		
Excess profits tax refund bonds	798,505		
Special notes of the United States:			
Internat'l Monetary Fund series	2,191,000,000	2,246,189,798	
Total		288,379,377,544	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A.	131,186,900		
Matured, interest-ceased	542,400	131,729,300	
Grand total outstanding			288,511,106,844
Balance face amount of obligations issuable under above authority			6,488,893,156

Reconcilement with Statement of the Public Debt April 30, 1960 (Date)

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

Outstanding-	
Total gross public debt	288,787,347,546
Guaranteed obligations not owned by the Treasury	131,729,300
Total gross public debt and guaranteed obligations	288,919,076,846
Deduct - other outstanding public debt obligations not subject to debt limitation	407,970,002
	288,511,106,844

A-846

STATUTORY DEBT LIMITATION
AS OF APRIL 30, 1960

Washington, May 17, 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	$37,144,178,000		
Certificates of indebtedness	15,245,149,000		
Treasury notes	50,570,985,000	$102,960,312,000	
Bonds-			
Treasury	85,137,363,650		
* Savings (current redemp. value)	47,641,867,747		
Depositary	171,097,500		
Investment series	6,969,717,000	139,920,045,897	
Special Funds-			
Certificates of indebtedness	7,781,098,000		
Treasury notes	10,483,900,000		
Treasury bonds	24,578,110,000	42,843,108,000	
Total interest-bearing		285,723,465,897	
Matured, interest-ceased		409,721,849	
Bearing no interest:			
United States Savings Stamps	54,391,293		
Excess profits tax refund bonds	798,505		
Special notes of the United States:			
Internat'l Monetary Fund series	2,191,000,000	2,246,189,798	
Total		288,379,377,544	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A.	131,186,900		
Matured, interest-ceased	542,400	131,729,300	
Grand total outstanding			288,511,106,844
Balance face amount of obligations issuable under above authority			6,488,893,156

Reconcilement with Statement of the Public Debt April 30, 1960
(Date)
(Daily Statement of the United States Treasury, April 29, 1960)
(Date)

Outstanding-	
Total gross public debt	288,787,347,546
Guaranteed obligations not owned by the Treasury	131,729,300
Total gross public debt and guaranteed obligations	288,919,076,846
Deduct - other outstanding public debt obligations not subject to debt limitation	407,970,002
	288,511,106,844

A-846

230

XBEXXXXXXMXXXXXXXX

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 February 25, 1960, (91 days remaining until maturity date on August 25, 1960) and noncompetitive tenders for $100,000 or less for the 183 -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 May 26, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 26, 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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232

TREASURY DEPARTMENT
Washington

A-847

RELEASE A. M. NEWSPAPERS,
Thursday, May 19, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,700,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing May 26, 1960, in the amount of $ 1,603,570,000 , as follows:

91 -day bills (to maturity date) to be issued May 26, 1960, in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 25, 1960, and to mature August 25, 1960, originally issued in the amount of $ 400,553,000 , the additional and original bills to be freely interchangeable.

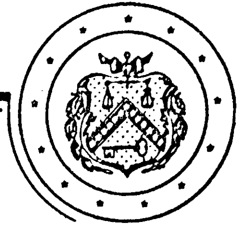
183 -day bills, for $ 500,000,000 , or thereabouts, to be dated May 26, 1960, and to mature November 25, 1960.

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 Daylight Saving time, Monday, May 23, 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

233



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
Thursday, May 19, 1960.

A-847

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,700,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 26, 1960, in the amount of $1,603,570,000, as follows:

91-day bills (to maturity date) to be issued May 26, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 25,1960, and to mature August 25, 1960, originally issued in the amount of $400,553,000, the additional and original bills to be freely interchangeable.

183-day bills, for $500,000,000, or thereabouts, to be dated May 26, 1960, and to mature November 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 Daylight Saving time, Monday, May 23, 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 February 25, 1960, (91 days remaining until maturity date on August 25, 1960) and noncompetitive tenders for $ 100,000 or less for the 183-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 May 26, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 26, 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, May 24, 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 February 25, 1960, and the other series to be dated May 26, 1960, which were offered on May 19, were opened at the Federal Reserve Banks on May 23. Tenders were invited for $1,200,000,000 or thereabouts, of 91-day bills and for $500,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 25, 1960		:	183-day Treasury bills maturing November 25, 1960	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.140 a/	3.402%	:	98.076 b/	3.785%
Low	99.100	3.560%	:	98.020	3.895%
Average	99.116	3.497% 1/	:	98.034	3.867% 1/

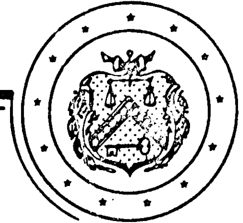
a/ Excepting 2 tenders totaling $200,000
b/ Excepting 3 tenders totaling $664,000
37 percent of the amount of 91-day bills bid for at the low price was accepted
56 percent of the amount of 183-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 25,884,000	$ 15,884,000	:	$ 18,371,000	$ 8,371,000
New York	1,393,826,000	839,006,000	:	695,833,000	356,063,000
Philadelphia	24,652,000	9,652,000	:	9,498,000	4,498,000
Cleveland	26,659,000	26,659,000	:	21,536,000	21,436,000
Richmond	11,374,000	11,374,000	:	3,853,000	1,853,000
Atlanta	21,134,000	20,634,000	:	3,994,000	3,794,000
Chicago	196,830,000	154,540,000	:	80,728,000	50,028,000
St. Louis	16,932,000	15,932,000	:	3,897,000	3,897,000
Minneapolis	9,914,000	9,014,000	:	2,947,000	2,347,000
Kansas City	23,147,000	23,122,000	:	7,230,000	7,130,000
Dallas	10,282,000	10,282,000	:	4,581,000	4,531,000
San Francisco	73,982,000	63,982,000	:	44,175,000	36,175,000
TOTALS	$1,834,616,000	1,200,081,000 c/		$896,643,000	$500,123,000 d/

c/ Includes $194,379,000 noncompetitive tenders accepted at the average price of 99.116
d/ Includes $45,577,000 noncompetitive tenders accepted at the average price of 98.034
1/ Average rate on a coupon issue equivalent yield basis is 3.58% for the 91-day bills and 4.00% for the 183-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, May 24, 1960.

A-848

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 February 25, 1960, and the other series to be dated May 26, 1960, which were offered on May 19, were opened at the Federal Reserve Banks on May 23. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 25, 1960		183-day Treasury bills maturing November 25, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.140 a/	3.402%	98.076 b/	3.785%
Low	99.100	3.560%	98.020	3.895%
Average	99.116	3.497% 1/	98.034	3.867% 1/

a/ Excepting 2 tenders totaling $200,000
b/ Excepting 3 tenders totaling $664,000
37 percent of the amount of 91-day bills bid for at the low price was accepted
56 percent of the amount of 183-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	$ 25,884,000	$ 15,884,000	$ 18,371,000	$ 8,371,000
New York	1,393,826,000	839,006,000	695,833,000	356,063,000
Philadelphia	24,652,000	9,652,000	9,498,000	4,498,000
Cleveland	26,659,000	26,659,000	21,536,000	21,436,000
Richmond	11,374,000	11,374,000	3,853,000	1,853,000
Atlanta	21,134,000	20,634,000	3,994,000	3,794,000
Chicago	196,830,000	154,540,000	80,728,000	50,028,000
St. Louis	16,932,000	15,932,000	3,897,000	3,897,000
Minneapolis	9,914,000	9,014,000	2,947,000	2,347,000
Kansas City	23,147,000	23,122,000	7,230,000	7,130,000
Dallas	10,282,000	10,282,000	4,581,000	4,531,000
San Francisco	73,982,000	63,982,000	44,175,000	36,175,000
TOTALS	$1,834,616,000	$1,200,081,000 c/	$896,643,000	$500,123,000 d/

c/ Includes $194,379,000 noncompetitive tenders accepted at the average price of 99.116
d/ Includes $45,577,000 noncompetitive tenders accepted at the average price of 98.034
1/ Average rate on a coupon issue equivalent yield basis is 3.58% for the 91-day bills and 4.00% for the 183-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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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 March 3, 1960, (91 days remaining until maturity date on September 1, 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 June 2, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 2, 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

238

TREASURY DEPARTMENT
Washington

A-847

RELEASE A. M. NEWSPAPERS,
Tuesday, May 24, 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 June 2, 1960 (3), in the amount of $ 1,501,246,000 (4), as follows:

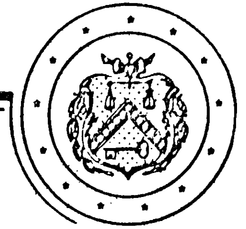
91 (5) -day bills (to maturity date) to be issued June 2, 1960 (6), in the amount of $ 1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated March 3, 1960 (8), and to mature September 1, 1960 (9), originally issued in the amount of $ 400,084,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 (12), or thereabouts, to be dated June 2, 1960 (13), and to mature December 1, 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 Daylight Saving ~~Standard~~ time, Friday, May 27, 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



WASHINGTON. D.C.

RELEASE A. M. NEWSPAPERS,
Tuesday, May 24, 1960.

A-849

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 June 2, 1960, in the amount of $1,501,246,000, as follows:

91-day bills (to maturity date) to be issued June 2, 1960, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated March 3, 1960, and to mature September 1,1960, originally issued in the amount of $ 400,084,000, the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated June 2, 1960, and to mature December 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 Daylight Saving time, Friday, May 27, 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 March 3, 1960, (91 days remaining until maturity date on September 1, 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 June 2, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 2, 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, Saturday, May 28, 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 March 3, 1960, and the other series to be dated June 2, 1960, which were offered on May 24, were opened at the Federal Reserve Banks on May 27. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 1, 1960		182-day Treasury bills maturing December 1, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.206 a/	3.141%	98.250	3.462%
Low	99.187	3.216%	98.230	3.501%
Average	99.195	3.184% 1/	98.233	3.495% 1/

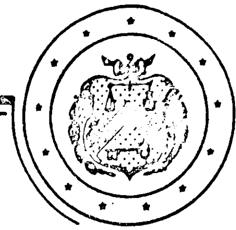
a/ Excepting one tender of $3,000
27 percent of the amount of 91-day bills bid for at the low price was accepted
8 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 17,333,000	$ 7,333,000	$ 14,648,000	$ 1,473,000
New York	1,388,396,000	764,766,000	798,464,000	433,404,000
Philadelphia	22,823,000	7,523,000	6,754,000	1,454,000
Cleveland	31,294,000	31,294,000	21,884,000	5,662,000
Richmond	8,599,000	7,599,000	3,013,000	1,173,000
Atlanta	16,935,000	14,735,000	2,560,000	1,898,000
Chicago	209,140,000	158,110,000	83,950,000	28,896,000
St. Louis	14,339,000	12,339,000	8,091,000	3,107,000
Minneapolis	10,198,000	9,098,000	2,875,000	1,250,000
Kansas City	33,444,000	32,944,000	10,859,000	4,959,000
Dallas	14,597,000	10,217,000	7,905,000	2,405,000
San Francisco	52,729,000	44,229,000	35,328,000	14,595,000
TOTALS	$1,819,827,000	$1,100,187,000 b/	$996,331,000	$500,276,000 c/

b/ Includes $175,462,000 noncompetitive tenders accepted at the average price of 99.195
c/ Includes $39,556,000 noncompetitive tenders accepted at the average price of 98.233
1/ Average rate on a coupon issue equivalent yield basis is 3.25% for the 91-day bills and 3.61% 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.

RELEASE A. M. NEWSPAPERS, Saturday, May 28, 1960. A-850

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 March 3, 1960, and the other series to be dated June 2, 1960, which were offered on May 24, were opened at the Federal Reserve Banks on May 27. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 1, 1960		182-day Treasury bills maturing December 1, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.206 a/	3.141%	98.250	3.462%
Low	99.187	3.216%	98.230	3.501%
Average	99.195	3.184% 1/	98.233	3.495% 1/

a/ Excepting one tender of $3,000
27 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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 17,333,000	$ 7,333,000	$ 14,648,000	$ 1,473,000
New York	1,388,396,000	764,766,000	798,464,000	433,404,000
Philadelphia	22,823,000	7,523,000	6,754,000	1,454,000
Cleveland	31,294,000	31,294,000	21,884,000	5,662,000
Richmond	8,599,000	7,599,000	3,013,000	1,173,000
Atlanta	16,935,000	14,735,000	2,560,000	1,898,000
Chicago	209,140,000	158,110,000	83,950,000	28,896,000
St. Louis	14,339,000	12,339,000	8,091,000	3,107,000
Minneapolis	10,198,000	9,098,000	2,875,000	1,250,000
Kansas City	33,444,000	32,944,000	10,859,000	4,959,000
Dallas	14,597,000	10,217,000	7,905,000	2,405,000
San Francisco	52,729,000	44,229,000	35,328,000	14,595,000
TOTALS	$1,819,827,000	$1,100,187,000 b/	$996,331,000	$500,276,000 c/

b/ Includes $175,462,000 noncompetitive tenders accepted at the average price of 99.195
c/ Includes $39,556,000 noncompetitive tenders accepted at the average price of 98.233
1/ Average rate on a coupon issue equivalent yield basis is 3.25% for the 91-day bills and 3.61% 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.

DIRECT BORROWING FROM FEDERAL RESERVE BANKS

CALENDAR YEAR	DAYS USED	MAXIMUM AMOUNT AT ANY TIME (millions)	NUMBER OF SEPARATE TIMES USED	MAXIMUM NUM OF DAYS USI AT ANY ONE TI
1942	19	$422	4	6
1943	48	1,320	4	28
1944	none	-	-	-
1945	9	484	2	7
1946	none	-	-	-
1947	none	-	-	-
1948	none	-	-	-
1949	2	220	1	2
1950	2	108	2	1
1951	4	320	2	3
1952	30	811	4	9
1953	29	1,172	2	20
1954	15	424	2	13
1955	none	-	-	-
1956	none	-	-	-
1957	none	-	-	-
1958	2	207	1	2
1959	none	-	-	-
1960 Jan.-April	none	-	-	-

243

securities for purposes of influencing the level of interest rates or affecting the overall availability of credit. These functions are properly exercised by the Federal Reserve System in its use of open market operations, discount rate policy, and changes in member bank reserve requirements. Direct borrowing by the Government of any country from its central bank, except for temporary or emergency financing, has proved to be a dangerous step down the road toward currency debasement.

We sincerely recommend your approval of H.R. 12346 in recognition of the appropriateness of the direct purchase authority as a limited but very useful tool of a sound Government financial policy.

Attachment

244

in the management of the public debt by permitting more leeway in the timing of new Treasury issues to the public advantage than would otherwise be possible. Again, as in the first use of the authority, its availability is sufficient to give the Treasury this required flexibility even though actual use of the purchase authority is rare.

(3) Availability of this authority has on occasion provided a useful device for smoothing out the impact on the money market and the banking system of large short-run fluctuations in the Treasury's cash balance, especially during periods immediately preceding the peak of tax collections. While this particular use of the purchase authority is less significant than during the war and early postwar periods, it continues to be desirable to have the authority available for use in situations where the technique would be especially appropriate. The attached table presents data on the use of the direct purchase authority from 1942 to the present time.

(4) Perhaps most importantly, the direct purchase authority provides an immediate source of funds for temporary financing in the event of a national emergency. The immediate financial impact of such an emergency presumably would be most important with reference to the ability of the Treasury to handle the refunding of maturing debt if the emergency resulted in serious dislocation of financial markets. The need for utilizing the direct purchase authority in this way would appear to be much more urgent than to cover ~~any immediate upsurge in~~ Federal Government spending, although some use of the authority might be necessary in event of a sudden ~~falloff~~ in revenue. dec

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The Treasury therefore considers that the direct purchase authority is properly interpreted only as a line of credit which the Treasury can rely upon both in its day-to-day planning of rapidly fluctuating cash flows and as a useful source of temporary financing in event of a national emergency. The Treasury is strongly of the opinion that the direct purchase authority should not be abused by considering it as a device to permit increased Federal Reserve purchases of United States Government

Report on the bill at that time you requested that the Treasury study the desirability of providing such criteria in the law. You further requested the Treasury to submit its recommendations to the Congress before requesting any further extension of the authority beyond June 30, 1960.

The Treasury has studied ~~carefully~~ the desirability of recommending that specific criteria be included in the statute but has concluded that the present authority would not be strengthened by incorporating specific considerations as part of the law. In addition, ~~We believe that~~ the biennial review currently afforded the Congress by two-year extensions of the authority, at which time actual transactions are reported regularly ~~in addition to the regular reporting of actual transactions~~ in the weekly Federal Reserve Statement and the Daily Treasury Statement, provides an effective guarantee that the authority will be used properly. Our analysis in this regard was transmitted by the Secretary of the Treasury to the Speaker of the House of Representatives and the President of the Senate on May 16, 1960.

As discussed in our May 16 letter, the Treasury feels that there are basically four considerations which constitute the only proper purposes of the direct purchase authority.

(1) The existence of the direct purchase authority permits the Treasury to operate with significantly lower cash balances than would otherwise be prudent, and still be in a position to meet cash needs in case of large unanticipated outlays or delays in receipts. This attribute of the direct purchase authority does not, as a matter of practice, require its actual use except in rare instances.

(2) Similarly, the existence of the direct purchase authority adds significantly to the Treasury's flexibility

purposes of the authority

TREASURY DEPARTMENT
Washington

STATEMENT ON EXTENSION OF ~~TREASURY DIRECT BORROWING AUTHORITY FROM FEDERAL RESERVE BANKS~~ AUTHORITY UNDER SECTION 14 (b) OF THE FEDERAL RESERVE ACT BY JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS, BEFORE SUBCOMMITTEE NO. 2 OF THE HOUSE BANKING AND CURRENCY COMMITTEE, TUESDAY, MAY 31, 1960, 10:00 A. M., EDT.

I appreciate the opportunity to appear before you today to present the views of the Treasury Department in support of H.R. 12346. This bill would extend until June 30, 1962, without further amendment, the present authority of the Federal Reserve Banks to purchase public debt obligations directly from the Treasury in an amount not to exceed $5 billion outstanding at any one time. The bill is endorsed by the Board of Governors of the Federal Reserve System.

As you may recall, under the Federal Reserve Act of 1913 the Federal Reserve Banks had the authority to purchase Government obligations without limitation, either in the open market or directly from the Treasury. Under the Banking Act of 1935, however, this authority was limited to open market transactions. The Second War Powers Act of 1942 restored for a limited period of time the authority of the Federal Reserve Banks to make purchases directly from the Treasury, but ~~limited~~ restricted the amount to $5 billion outstanding at any one time. Although this authority was initially only for the period through December 31, 1944, it has been extended successively by Congress before each expiration date. The current authority expires June 30, 1960.

At hearings on extension of the direct purchase authority two years ago, it was suggested by members of your Committee that the authority be revised to provide specific criteria for its exercise. In your Committee

TREASURY DEPARTMENT
Washington

247

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At hearings on extension of the direct purchase authority two years ago, it was suggested by members of your Committee that the authority be revised to provide specific criteria for its exercise. In your Committee Report on the bill at that time you requested that the Treasury study the desirability of providing such criteria in the law. You further requested the Treasury to submit its recommendations to the Congress before requesting any further extension of the authority beyond June 30, 1960.

The Treasury has studied the desirability of recommending that specific criteria be included in the statute but has concluded that the present authority would not be strengthened by incorporating specific considerations as part of the law. Actual transactions are reported regularly in the weekly Federal Reserve Statement and the Daily Treasury Statement. In addition, the biennial review currently afforded the Congress by two-year extensions of the authority, at which time the Treasury always testifies as to the use and purpose of the authority, provides an effective guarantee that

248

the authority will be used properly. Our analysis in this regard was transmitted by the Secretary of the Treasury to the Speaker of the House of Representatives and the President of the Senate on May 16, 1960.

As discussed in our May 16 letter, the Treasury feels that there are basically four considerations which constitute the only proper purposes of the direct purchase authority.

(1) The existence of the direct purchase authority permits the Treasury to operate with significantly lower cash balances than would otherwise be prudent, and still be in a position to meet cash needs in case of large unanticipated outlays or delays in receipts. This attribute of the direct purchase authority does not, as a matter of practice, require its actual use except in rare instances.

(2) Similarly, the existence of the direct purchase authority adds significantly to the Treasury's flexibility in the management of the public debt by permitting more leeway in the timing of new Treasury issues to the public advantage than would otherwise be possible. Again, as in the first use of the authority, its availability is sufficient to give the Treasury this required flexibility even though actual use of the purchase authority is rare.

(3) Availability of this authority has on occasion provided a useful device for smoothing out the impact on the money market and the banking system of large short-run fluctuations in the Treasury's cash balance, especially during periods immediately preceding the peak of tax collections. While this particular use of the purchase authority is less significant than during the war and early postwar periods, it continues to be desirable to have the authority available for use in situations where the technique would be especially appropriate. The attached table presents data on the use of the direct purchase authority from 1942 to the present time.

(4) Perhaps most importantly, the direct purchase authority provides an immediate source of funds for temporary financing in the event of a national emergency. The immediate financial impact of such an emergency presumably would be most important with reference to the ability of the Treasury to handle the refunding of maturing debt if the emergency resulted in serious dislocation of financial markets. The need for utilizing

249

the direct purchase authority in this way would appear to be much more urgent than to cover increased Federal Government spending, (even though appropriations are increased immediately) although some use of the authority might be necessary in event of a sudden decline in revenue.

The Treasury therefore considers that the direct purchase authority is properly interpreted only as a line of credit which the Treasury can rely upon both in its day-to-day planning of rapidly fluctuating cash flows and as a useful source of temporary financing in event of a national emergency. The Treasury is strongly of the opinion that the direct purchase authority should not be abused by considering it as a device to permit increased Federal Reserve purchases of United States Government securities for purposes of influencing the level of interest rates or affecting the overall availability of credit. These functions are properly exercised by the Federal Reserve System in its use of open market operations, discount rate policy, and changes in member bank reserve requirements. Direct borrowing by the Government of any country from its central bank, except for temporary or emergency financing, has proved to be a dangerous step down the road toward currency debasement.

We sincerely recommend your approval of H.R. 12346 in recognition of the appropriateness of the direct purchase authority as a limited but very useful tool of a sound Government financial policy.

Attachment

DIRECT BORROWING FROM FEDERAL RESERVE BANKS

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1956	none	-	-	-
1957	none	-	-	-
1958	2	207	1	2
1959	none	-	-	-
1960 Jan.-April	none	-	-	-

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 March 10, 1960 (17), (91 (18) days remaining until maturity date on September 8, 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 June 9, 1960 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 9, 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

IMMEDIATE RELEASE, ~~4:00 P.M., EDT,~~
~~XXXXXXXXXXXXXXXXXXXXXXXX~~
Wednesday, June 1, 1960 .
(1)

A-852

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,700,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing June 9, 1960 (3), in the amount of $ 1,700,264,000 (4), as follows:

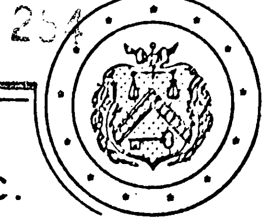
91 (5) -day bills (to maturity date) to be issued June 9, 1960 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated March 10, 1960 (8), and to mature September 8, 1960 (9), originally issued in the amount of $ 400,241,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 (12), or thereabouts, to be dated June 9, 1960 (13), and to mature December 8, 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 Daylight Saving ~~Standard~~ time, Monday, June 6, 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



WASHINGTON, D.C.

IMMEDIATE RELEASE,
Wednesday, June 1, 1960.

A-852

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182-day bills, for \$ 500,000,000, or thereabouts, to be dated June 9, 1960, and to mature December 8, 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 March 10, 1960, (91 days remaining until maturity date on September 8, 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 June 9, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 9, 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.

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Comparison of principal items of assets and liabilities of active national banks - Continued
(In thousands of dollars)

	Mar. 15, 1960	Dec. 31, 1959	Mar. 12, 1959	Increase or decrease since Dec. 31, 1959		Increase or decrease since Mar. 12, 1959	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	60,223,228	62,496,399	59,483,011	-2,273,171	-3.64	740,217	1.24
Time	34,182,165	34,385,356	33,229,040	-203,191	-.59	953,125	2.87
Deposits of U. S. Government	2,717,522	2,936,037	1,622,690	-218,515	-7.44	1,094,832	67.47
Postal savings deposits	8,457	9,042	9,559	-585	-6.47	-1,102	-11.53
Deposits of States and political subdivisions	7,925,607	8,469,237	8,168,870	-543,630	-6.42	-243,263	-2.98
Deposits of banks	8,226,436	9,460,445	8,585,962	-1,234,009	-13.04	-359,526	-4.19
Other deposits (certified and cashiers' checks, etc.)	1,416,171	1,881,161	1,618,181	-464,990	-24.72	-202,010	-12.48
Total deposits	114,699,586	119,637,677	112,717,313	-4,938,091	-4.13	1,982,273	1.76
Bills payable, rediscounts, and other liabilities for borrowed money	1,559,321	340,362	917,898	1,218,959	358.14	641,423	69.88
Other liabilities	2,619,138	2,355,957	2,085,111	263,181	11.17	534,027	25.61
Total liabilities, excluding capital accounts	118,878,045	122,333,996	115,720,322	-3,455,951	-2.83	3,157,723	2.73
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,240,119	3,166,651	3,051,015	73,468	2.32	189,104	6.20
Preferred	3,037	3,091	3,442	-54	-1.75	-405	-11.77
Total	3,243,156	3,169,742	3,054,457	73,414	2.32	188,699	6.18
Surplus	5,110,791	5,062,084	4,821,012	48,707	.96	289,779	6.01
Undivided profits	1,850,560	1,814,637	1,712,065	35,923	1.98	138,495	8.09
Reserves	241,406	255,654	272,623	-14,248	-5.57	-31,217	-11.45
Total surplus, profits and reserves	7,202,757	7,132,375	6,805,700	70,382	.99	397,057	5.83
Total capital accounts	10,445,913	10,302,117	9,860,157	143,796	1.40	585,756	5.94
Total liabilities and capital accounts	129,323,958	132,636,113	125,580,479	-3,312,155	-2.50	3,743,479	2.98
RATIOS:	Percent	Percent	Percent				
U.S.Gov't securities to total assets	22.96	23.95	27.70				
Loans & discounts to total assets	46.67	45.21	42.38				
Capital accounts to total deposits	9.11	8.61	8.75				

NOTE: Minus sign denotes decrease.

Statement showing comparison of principal items of assets and liabilities of active national banks as of March 15, 1960, December 31, 1959 and March 12, 1959

(In thousands of dollars)

	Mar. 15, 1960	Dec. 31, 1959	Mar. 12, 1959	Increase or decrease since Dec. 31, 1959		Increase or decrease since Mar. 12, 1959	
				Amount	Percent	Amount	Percent
Number of banks	4,541	4,542	4,569	-1		-28	
ASSETS							
Commercial and industrial loans	22,626,857	22,309,563	22,305,884	317,294	1.42	320,973	1.44
Loans on real estate	15,188,117	15,169,786	14,052,350	18,331	.12	1,135,767	8.08
Loans to financial institutions	4,681,984	4,249,564	1/ 689,848	432,420	10.18	3,992,136	
All other loans	19,082,959	19,434,937	17,252,384	-351,978	-1.81	1,830,575	10.61
Total gross loans	61,579,917	61,163,850	54,300,466	416,067	.68	7,279,451	13.41
Less valuation reserves	1,224,894	1,201,861	1,083,326	23,033	1.92	141,568	13.07
Net loans	60,355,023	59,961,989	53,217,140	393,034	.66	7,137,883	13.41
U. S. Government securities:							
Direct obligations	29,639,498	31,723,878	34,787,430	-2,084,380	-6.57	-5,147,932	-14.80
Obligations fully guaranteed	53,702	37,092	3,045	16,610	44.78	50,657	1663.61
Total U. S. Securities	29,693,200	31,760,970	34,790,475	-2,067,770	-6.51	-5,097,275	-14.65
Obligations of States and political subdivisions	9,020,152	9,036,149	9,005,281	-15,997	-.18	14,871	.17
Other bonds, notes and debentures	1,403,833	1,553,557	1,769,676	-149,724	-9.64	-365,843	-20.67
Corporate stocks, including stocks of Federal Reserve banks	306,750	302,179	288,263	4,571	1.51	18,487	6.41
Total securities	40,423,935	42,652,855	45,853,695	-2,228,920	-5.23	-5,429,760	-11.84
Total loans and securities	100,778,958	102,614,844	99,070,835	-1,835,886	-1.79	1,708,123	1.72
Currency and coin	1,596,856	1,521,334	1,554,486	75,522	4.96	42,370	2.73
Reserve with Federal Reserve banks	11,088,277	11,247,162	11,275,663	-158,885	-1.41	-187,386	-1.66
Balances with other banks	13,183,068	14,695,749	11,368,670	-1,512,681	10.29	1,814,398	15.96
Total cash, balances with other banks, including reserve balances and cash items in process of collection	25,868,201	27,464,245	24,198,819	-1,596,044	-5.81	1,669,382	6.90
Other assets	2,676,799	2,557,024	2,310,825	119,775	4.68	365,974	15.84
Total assets	129,323,958	132,636,113	125,580,479	-3,312,155	-2.50	3,743,479	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.

 257

other securities of $1,600,000,000 decreased $373,000,000. Other loans, including loans to farmers, loans to banks, and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) of $11,300,000,000 showed a decrease of $33,000,000 since December. The percentage of net loans and discounts (after deduction of valuation reserves of $1,224,894,000) to total assets on March 15, 1960 was 46.67 in comparison with 45.21 in December and 42.38 in March 1959.

Total investments of the banks in bonds, stocks, and other securities aggregated $40,400,000,000, a decrease of $2,200,000,000 since December. Included in the investments were obligations of the United States Government of $29,700,000,000 ($53,702,000 of which were guaranteed obligations). These investments, representing 22.96 percent of total assets, were decreased by $2,000,000,000 during the period. Other bonds, stocks, and other securities of $10,700,000,000, including $9,000,000,000 of obligations of States and other political subdivisions, showed a decrease of $161,000,000 since December.

Cash of $1,597,000,000, reserves with Federal Reserve banks of $11,088,000,000, and balances with other banks (including cash items in process of collection) of $13,183,000,000, a total of $25,868,000,000, showed a decrease of $1,600,000,000.

Bills payable and other liabilities for borrowed money of $1,559,000,000 showed an increase of $1,219,000,000 since December.

Total capital funds of the banks on March 15 of $10,446,000,000, equal to 9.11 percent of total deposits, were $144,000,000 more than in December when they were 8.61 percent of total deposits. Included in the capital funds were capital stock of $3,243,000,000, of which $3,037,000 was preferred stock; surplus of $5,111,000,000; undivided profits of $1,851,000,000, and capital reserves of $241,000,000.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A. M. NEWSPAPERS,
Friday, June 3, 1960.

A-853

The total assets reported by the 4,541 active national banks in the United States and possessions on March 15, 1960 amounted to $129,300,000,000, it was announced today by Comptroller of the Currency Ray M. Gidney. The total assets showed a decrease of $3,312,000,000 below the amount reported by the 4,542 active national banks on December 31, 1959, the date of the previous call, and an increase of $3,743,000,000 over the amount reported by the 4,569 banks on March 12, 1959.

The deposits of the banks on March 15 were $114,700,000,000, a decrease of $4,900,000,000 since December. Included in the deposit figures were demand deposits of individuals, partnerships, and corporations of $60,200,000,000, a decrease of $2,300,000,000, and time deposits of individuals, partnerships, and corporations of $34,200,000,000, a decrease of $203,000,000. Deposits of the United States Government of $2,700,000,000 decreased $219,000,000 in the period; deposits of States and political subdivisions of $7,900,000,000 decreased $544,000,000, and deposits of banks of $8,200,000,000 showed a decrease of $1,234,000,000. Postal savings deposits were $8,457,000 and certified and cashiers' checks, etc., were $1,400,000,000.

Gross loans and discounts on March 15, 1960 of $61,600,000,000 showed an increase of $416,000,000 since December. Commercial and industrial loans of $22,600,000,000 increased $317,000,000, while loans on real estate of $15,200,000,000 increased $18,300,000. Loans to financial institutions amounted to $4,700,000,000, an increase of $432,000,000. Retail automobile installment loans of $4,600,000,000 showed an increase of $65,400,000. Other types of retail installment loans of $1,571,000,000 showed a decrease of $10,800,000. Loans to brokers and dealers in securities, and others for the purpose of purchasing or carrying stocks, bonds, and

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Net loans	60,355,023	59,961,989	53,217,140	393,034	.66	7,137,883	13.41
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Obligations fully guaranteed	53,702	37,092	3,045	16,610	44.78	50,657	1663.61
Total U. S. Securities	29,693,200	31,760,970	34,790,475	-2,067,770	-6.51	-5,097,275	-14.65
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Total loans and securities	100,778,958	102,614,844	99,070,835	-1,835,886	-1.79	1,708,123	1.72
Currency and coin	1,596,856	1,521,334	1,554,486	75,522	4.96	42,370	2.73
Reserve with Federal Reserve banks	11,088,277	11,247,162	11,275,663	-158,885	-1.41	-187,386	-1.66
Balances with other banks	13,183,068	14,695,749	11,368,670	-1,512,681	-10.29	1,814,398	15.96
Total cash, balances with other banks, including reserve balances and cash items in process of collection	25,868,201	27,464,245	24,198,819	-1,596,044	-5.81	1,669,382	6.90
Other assets	2,676,799	2,557,024	2,310,825	119,775	4.68	365,974	15.84
Total assets	129,323,958	132,636,113	125,580,479	-3,312,155	-2.50	3,743,479	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.

RELEASE A. M. NEWSPAPERS, Tuesday, June 7, 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 March 10, 1960, and the other series to be dated June 9, 1960, which were offered on June 1, were opened at the Federal Reserve Banks on June 6. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 8, 1960		182-day Treasury bills maturing December 8, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.330	2.651%	98.560	2.848%
Low	99.298	2.777%	98.541	2.886%
Average	99.313	2.716% 1/	98.548	2.871% 1/

50 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

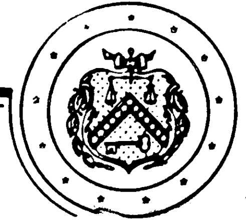
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,900,000	$ 14,900,000	$ 8,725,000	$ 8,275,000
New York	1,385,749,000	867,649,000	889,398,000	400,931,000
Philadelphia	25,216,000	10,106,000	8,582,000	1,582,000
Cleveland	41,751,000	41,751,000	16,306,000	5,626,000
Richmond	9,580,000	9,580,000	3,693,000	1,693,000
Atlanta	24,093,000	23,693,000	3,862,000	2,354,000
Chicago	183,877,000	115,557,000	90,847,000	33,192,000
St. Louis	16,557,000	15,057,000	4,196,000	4,046,000
Minneapolis	11,515,000	11,515,000	2,508,000	1,508,000
Kansas City	29,242,000	29,242,000	5,370,000	4,740,000
Dallas	8,556,000	8,556,000	3,245,000	3,245,000
San Francisco	60,268,000	52,468,000	44,140,000	32,840,000
TOTALS	$1,821,304,000	$1,200,074,000 a/	$1,080,872,000	$500,032,000 b/

a/ Includes $196,337,000 noncompetitive tenders accepted at the average price of 99.313
b/ Includes $45,925,000 noncompetitive tenders accepted at the average price of 98.548
1/ Average rate on a coupon issue equivalent yield basis is 2.77% for the 91-day bills and 2.95% 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.

Yields lowest since --	91 day	182 day
	2/21/59	1/2/59
	2.589%	2.920%

TREASURY DEPARTMENT



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS, Tuesday, June 7, 1960.

A-854

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 March 10, 1960, and the other series to be dated June 9, 1960, which were offered on June 1, were opened at the Federal Reserve Banks on June 6. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 8, 1960		182-day Treasury bills maturing December 8, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.330	2.651%	98.560	2.848%
Low	99.298	2.777%	98.541	2.886%
Average	99.313	2.716% 1/	98.548	2.871% 1/

50 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

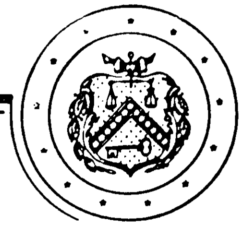
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,900,000	$ 14,900,000	$ 8,725,000	$ 8,275,000
New York	1,385,749,000	867,649,000	889,398,000	400,931,000
Philadelphia	25,216,000	10,106,000	8,582,000	1,582,000
Cleveland	41,751,000	41,751,000	16,306,000	5,626,000
Richmond	9,580,000	9,580,000	3,693,000	1,693,000
Atlanta	24,093,000	23,693,000	3,862,000	2,354,000
Chicago	183,877,000	115,557,000	90,847,000	33,192,000
St. Louis	16,557,000	15,057,000	4,196,000	4,046,000
Minneapolis	11,515,000	11,515,000	2,508,000	1,508,000
Kansas City	29,242,000	29,242,000	5,370,000	4,740,000
Dallas	8,556,000	8,556,000	3,245,000	3,245,000
San Francisco	60,268,000	52,468,000	44,140,000	32,840,000
TOTALS	$1,821,304,000	$1,200,074,000 a/	$1,080,872,000	$500,032,000 b/

a/ Includes $196,337,000 noncompetitive tenders accepted at the average price of 99.313
b/ Includes $45,925,000 noncompetitive tenders accepted at the average price of 98.548
1/ Average rate on a coupon issue equivalent yield basis is 2.77% for the 91-day bills and 2.95% 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

263



WASHINGTON, D.C.

IMMEDIATE RELEASE
Monday, June 6, 1960.

A-855

The Treasury Department is for the first time, in respect to marketable securities, making use of advance refunding legislation passed last fall in offering holders of a specific issue of marketable bonds the option, well in advance of maturity, to exchange such bonds for either a marketable note or bond of longer maturity.

Accordingly, the Treasury Department is offering the holders of $11,177,152,000 of the outstanding 2-1/2% Treasury Bonds maturing November 15, 1961, the option to exchange them during the period from June 8 to June 13, inclusive, for like face amounts of either 3-3/4% Treasury Notes maturing May 15, 1964 or 3-7/8% Treasury Bonds maturing May 15, 1968.

Exchange subscriptions to the 3-3/4% notes of May 15, 1964 are invited up to an amount not to exceed $3-1/2 billion, and subscriptions to the 3-7/8% bonds of 1968 are invited up to an amount not to exceed $1-1/2 billion. However, if subscriptions to the respective issues exceed these amounts by more than 10%, they will be subject to allotment. As is customary, the lowest denominations of the new note will be $1,000 and of the new bond will be $500.

The new 3-3/4% notes and 3-7/8% bonds will be dated and bear interest from June 23, 1960, payable on November 15 and May 15. Accrued interest from May 15, 1960 to June 23, 1960 on the 2-1/2% bonds of November 15, 1961 will be paid on the bonds accepted for exchange.

No gain or loss shall be recognized for Federal income tax purposes upon the exchange of the 2-1/2% bonds of 1961. The official offering circulars applicable to the new notes and new bonds contain the following provision:

> "Pursuant to the provisions of section 1037 (a) of the Internal Revenue Code of 1954 as added by Public Law 86-346 (approved September 22, 1959), the Secretary of the Treasury hereby declares that no gain or loss shall be recognized for Federal income tax purposes upon the exchange with the United States of the 2-1/2 percent Treasury Bonds of 1961 solely for the 3-3/4 percent Treasury Notes of Series D-1964 (or 3-7/8 percent Treasury Bonds of 1968). Gain or loss, if any, upon the obligations surrendered in exchange will be taken into account upon the disposition or redemption of the new obligations."

Exchange subscriptions to the new 3-3/4% Treasury Notes maturing May 15, 1964, and to the new 3-7/8% Bonds maturing May 15, 1968, will be received subject to allotment, and will be received from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension

264

and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve System without deposit. Subscriptions from all others must be accompanied by the deposit of 2-1/2% Bonds of 1961 in the amount of not less than 10% of the face amount of the notes or bonds applied for.

The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have indicated that they intend to issue rulings advising banks under their supervision that they may place the securities received in exchange on their books at an amount not greater than the amount at which the securities being tendered by them for exchange are carried on their books.

The subscription books will be open only on June 8 to June 13, inclusive, for the receipt of subscriptions for the new issues. Any subscription for the new notes or bonds addressed to a Federal Reserve Bank or branch or to the Treasurer of the United States and placed in the mail before midnight, June 13, will be considered as timely.

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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 (16) or less for the additional bills dated March 17, 1960 (17), (91 (18) days remaining until maturity date on September 15, 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 June 16, 1960 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 16, 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-856

IMMEDIATE RELEASE, ~~4:00 P.M., EDT~~
XXXXXXXXXXXXXXXXXXXXXXXXXX
Wednesday, June 8, 1960.

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,700,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 16, 1960, in the amount of $1,700,273,000, as follows:

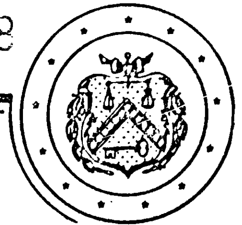
91-day bills (to maturity date) to be issued June 16, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated March 17, 1960, and to mature September 15, 1960, originally issued in the amount of $399,901,000, the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated June 16, 1960, and to mature December 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 Daylight Saving time, Monday, June 13, 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



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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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UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1960 - March 31, 1960

(in millions of dollars at $35 per fine ounce)

Negative figures represent net sales by the United States; positive figures, net purchases

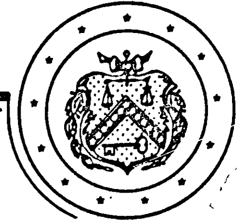
Country	First Quarter 1960
Austria	-1.1
Belgium	-26.3
Iceland	-2.4
International Monetary Fund	-1.1
Netherlands	-10.0
Other	-.8
Total	-41.7

IMMEDIATE RELEASE,
Thursday, June 9, 1960. A-857

The Treasury Department today made public a report on monetary gold transactions with foreign governments, central banks and international institutions for the first quarter of 1960. The net sale of monetary gold by the United States in this period amounted to $41.7 million.

A table showing net transactions, by country, for the first quarter of 1960 is printed on reverse side.

TREASURY DEPARTMENT



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272

sound budget and monetary practices are a negative course of action -- something that will hold us back from what might otherwise be accomplished.

The truth is the exact opposite. A dollar in which people have confidence -- a dollar which keeps its value over the years -- is an absolute essential to the achievement of all the other goals which we seek to realize for our families, our communities, and our Nation. With the help of the women of this country -- offered so generously and on so many fronts in the past -- I am confident that our economy will continue to have the strength and vitality so essential to enduring peace.

The emphasis which I have been putting today on well-considered budget and debt management policies does not mean, of course, that we need do nothing further to keep our economy sound and our financial structure in good order. We must continue to give our Federal Reserve authorities the independence and flexibility of action which they require in order to do an effective job of monetary management. Outside the area of Government, we, as citizens, must be continually on guard against business or labor practices which result in unjustified price increases. Such increases may appear at first to be confined to one geographical area or one industry. In time, however, they can set in motion dangerous inflationary spirals which eventually affect the living costs of every family.

Some of the considerations which I have just mentioned may seem to lie outside the responsibilities of most of you here. I am emphasizing them, nevertheless, because I do not underestimate the power of women to bring order and logic to any question involving money matters, particularly where family budgets are involved. I am certain that your influence on the side of prudence and restraint, wherever it may be exercised, will have effects in your communities which go far beyond your direct participation in business or Government activities.

There is one further thought which I should like to ask you to keep in mind as you return to your communities. It is this: There could be no more mistaken view than the false doctrine sometimes put forward that

income. I would only emphasize that it is even more serious for a Government than for a household or private organization if it should go on year after year spending beyond its income. There is no surer way to destroy the value of the currency and thereby weaken the functioning of the economy. Every nation that has tried to get ahead by this means has failed. At best, the damage has had to be repaired at the cost of a program of austerity, often accompanied by a drift toward socialism.

We must remember, also, that at the present time the capacity of the entire free world to resist aggression rests very largely on the sustained economic and financial strength of the United States. The risks inherent in unsound budget practices are thus not ours alone; they involve every free nation and the cause of peace itself.

The President's program for budget balance this year and a surplus of revenues over expenditures during the fiscal year beginning July 1 has, as you know, brought forth an enthusiastic public response. We must not forget, however, that the job of actually keeping Government expenditures in line with income rests squarely with the American people. They alone must decide what programs we can safely undertake, over and above those required for national security and essential civilian services. They alone can effectively resist the demands of special interest groups for programs benefiting one sector of the population as against others. There must be a realization on the part of all groups and all citizens that we cannot as individuals or as a Nation at one and the same time have all the things which are desirable and still keep our finances in a sound condition.

Congress to repeal this legislation since it keeps us in the financing area which holds the greatest threat to the stability of our economy. Action must be taken to remove the [illegible] ceiling sooner or later, and the sooner the better, before the maturity schedule of our huge debt becomes further distorted. Already, average maturities have dropped to the point where almost 80 percent of our marketable debt falls due within five years. Paradoxically, removing the interest rate ceiling will operate to reduce average interest rates rather than to raise them.

To sum up: The savings process is essential to our growth and prosperity and depends largely on decisions to spend or save made by families and individuals throughout the Nation. Fear of inflation slows down the rate of saving. Confidence in the future value of the dollar encourages people to save more. Sound Government financial practices (including a vigorous savings bonds program) represent one of the most important safeguards against deterioration in the value of our currency.

The programs having to do with savings bonds and other Treasury securities, however -- which we lump together under the term "debt management" -- represent only one part of the financial business of the Government. It is of the utmost importance also to keep the income and outgo of the Federal Government in reasonable balance, not necessarily every year, but certainly over a period of years, to help keep our economy balanced and healthy and our dollar sound.

This point need not be labored with an audience such as this. You know the penalty of household budgets which continually run higher than

in amounts beyond what the economy requires, however, is very close to printing press money -- the most inflationary and therefore one of the most dangerous types of financing which Government can engage in. The more savings bonds we sell, the fewer inflationary type securities we will have to issue. On the average, savings bonds owners hold their securities for about 7 years before turning them in for cash redemption. It is clear, therefore, that the savings bonds program makes a vital contribution to sound Government finance and a sound dollar through reducing the reliance which the Treasury must place on inflationary, short-term financing.

At this point I should like to mention another and somewhat related matter which is of serious concern to the Treasury in the debt management job it is trying to do at the present time.

A statute which has been on the books since World War I limits the interest rate we can offer on marketable bonds issued to mature longer than 5 years to 4-1/4 percent -- lower than the rate which people with money to loan out are willing to accept for securities of this type in the kind of investment markets we have been experiencing for the past year. We have not been able to sell any appreciable amount of marketable bonds maturing in longer than 5 years. Yet we must continue to sell marketable securities in order to gather in enough money to meet the $75 billion of maturities coming due for payment each year.

This means only one thing -- increasing our offerings of short-term securities, which are under no limitations as to interest rate, and selling many more of them than we would otherwise have to do. The Treasury has asked

undermining the savings process. A tendency for prices to keep on rising is one of the most important things to guard against if we want to increase our rate of saving -- rather than see it slowing down. Inflation engendered by war may be an inevitable part of the cost which must be paid. But we need not and must not permit such a charge to be levied on our economy during peacetime.

Sound Government finance, of which savings bonds are an important part, represents one of the best defenses we have against inflation. A brief look at the financing job we have to do in the Treasury each year will show you why this is so.

There are now about $46 billion savings bonds of all series owned by individuals in this country. This represents, however, only a part of our total ~~public~~ NATIONAL debt which amounts at present to over $289 billion. A large share of our debt over and above savings bonds is in the form of securities which can be bought and sold in the market, and something like $75 billion of these securities (mature and) come due (for payment to the holders) every year. During periods when we are not cutting down the total amount of our NATIONAL ~~public~~ debt, ~~these maturities, as we call them, mean that the~~ the Government must sell new securities in the investment market to replace those which are coming due. Some of these new securities are what we call "short-term". That is, they are obligations which come due and will be presented to the Treasury for payment within a year, two years, or even in some instances within a few months.

A certain amount of short-term securities serves a useful purpose for businesses and institutions with money to invest which they will want to use for other purposes in a short time. The issuance of such securities

Second -- surprising as it may seem, when most of our debt represents part of the cost of two world wars -- savings bond purchases represent a very dynamic factor in our present-day economy. One wonders how many hundreds of thousands of new homes have been purchased by veterans and others who accumulated the necessary $500 or $1,000 down payment through payroll deduction for savings bonds. The purchase of the home triggers a demand for furniture and household equipment of all kinds. Without this disciplined type of savings, a significant part of these purchases would not have taken place and the face of America would look quite different.

The next time you drive around your own neighborhoods you might keep in mind the fact that there would be great gaps in the new housing developments which have sprung up in so many parts of the country if it weren't for the money accumulated -- sometimes almost unconsciously -- through payroll deductions for savings bonds.

The third way in which savings bonds relate to the whole process of savings and investment in this country is perhaps the most important of all. Savings bonds are a vital part of the type of Government financing which help to keep our dollar sound and inflationary forces in check, and it is this point which I should like to tell you a little more about now.

Every reasonable person will agree that if the dollar is constantly losing value -- if things cost more and more, month by month, and year by year -- there is little incentive to save. Inflation, therefore, if prolonged indefinitely, could destroy the very roots of our growth through

Many, perhaps most, individual savers do not realize that they are furnishing money which may in time make possible a new synthetic material or an improved mechanical process. But that is exactly what they are doing. Our American society can truly be characterized as a people's capitalism.

Those who try to draw a sharp distinction between human values and property values strike a false note. They have simply failed to recognize the elements of the process making for human betterment. Henry Ford has been quoted as saying that the greatest materialist is the man who is without food, shelter, clothing, or security, for he can think of nothing but these wants. This points to an important truth.

Let us make no mistake -- capital for the most part is saved up human labor. The very existence of capital means that someone has denied himself present benefits for greater future good. This is the savings process, it is the growth process -- it is the source of human betterment.

The savings bond program relates to the savings process which I have been talking about in three very important ways.

First, savings bonds campaigns in this country have been of incalculable value -- and I use this term deliberately -- in encouraging the habit of regular saving which is so essential to our growth and prosperity. This is particularly true of the payroll savings plan and the school savings stamp plan. Many persons who would like to save never get around to it. If they can be persuaded to sign up for an automatic program the process is much less painful and once learned may become a lifelong habit.

or new improved products in my home? The answer is that they have a very direct relationship. The money which we as individuals put into savings institutions or into insurance is not kept idle. It is loaned out -- subject to careful regulations which assure prudent investment practices. Your money thus becomes a source of loan funds for expansion and improvement of all kinds. Non-financial corporations save part of their incomes too, and this money adds to the sum total of the supply of funds available for investment. But a large part of the savings funds which make possible the growth and prosperity of our country comes from individual savers like you and me.

The American investor, in short, does not fit into the traditional picture of the big capitalist or the big banker. He is a man who owns one of the 22,000,000 accounts in mutual savings banks; one of the 27,000,000 accounts in savings and loan associations; or one of the 35,000,000 savings accounts in commercial banks. He is one of the 35,000,000 Americans who own savings bonds. He is one of the 115,000,000 with savings in the form of life insurance or one of the 14,000,000 who are protected by non-insured pension plans.

The figures I have just been quoting -- while there is duplication in them -- indicate that the great mass of interest-bearing savings comes from the many millions of individual savers. Collectively, individual consumers save enough to more than cover their own borrowing needs; thus they can help meet the net demand for saving by businesses and governments. Last year, in fact, consumers held interest-bearing assets amounting to nearly two-and-one-half times the amount of debt on which they had to pay interest.

hampers savings. Over the years, the growth in the total production of this economy has been strikingly parallel to the rise in savings and investment.

Since this is so -- and the figures provide irrefutable evidence -- the next step is to examine what promotes saving, and what holds it back. To do this, we need to know a little more about the source of the funds which flow out into investment channels.

You may be surprised to learn that when we get down to fundamentals we find that bankers and bank loans are not the most significant factor in the investment process in our Nation. A major role is played by the millions of individuals throughout the country who week by week and month by month are setting aside some of their income in the form of savings. Last year over $10 billion of individuals' savings flowed into savings banks, commercial banks, savings deposits, savings and loan associations and credit unions. At the end of the year, individuals' total accumulations in these forms amounted to more than $155 billion -- with an additional $46 billion invested in U. S. savings bonds of all series and $140 billion accounted for by individuals' savings in the form of private insurance and pension reserves. On top of these sums, the stake of American citizens in Government insurance and pension reserves amounted to another $67 billion. These add up to a grand total of $408 billion of direct and indirect savings by individuals.

Now I wonder whether some of you may not be thinking at this point: What do my savings deposits or the life insurance premiums I pay have to do with investment -- with a new factory in the next town, for example,

$20,000 on the average to put an additional man to work -- a larger amount, in many cases, than the cost of his home. Our total capital needs for plant and equipment over the next decade have been conservatively estimated at more than $400 billion.

There are only three possible sources. First, we can get the money by running the printing press. Second, we can get it by the expansion of bank credit, which is the next thing to running it off the printing press. Third, we can get it by savings.

Printing press money or undue expansion of bank credit, as all the world should know from bitter experience, will lead to ruinous inflation as surely as night follows day. Other countries provide too many horrible examples of currency debasement for us to have to repeat the experience in order to learn the pitfalls of such a course. Savings, then, are the only acceptable source of investment funds.

When it comes to our own personal finances, it is easy to see that in order to increase our investments we must save part of our income instead of spending it all. Yet many fail to recognize that productive investment by the economy as a whole is also possible only through saving. The major lesson of economics, however much it may be dressed up or elaborated, is really just as simple as that. To produce more we must save more.

Now what follows from this elementary fact -- for you and me, for ordinary citizens everywhere? Just this: a nation's growth is fostered by whatever increases its rate of saving and is retarded by whatever

All of us here, I am sure, whether we come from large cities, farming communities, or small towns, are well aware that the high living standards in this country are attributable largely to the application of improved methods and equipment. Americans take for granted a constant improvement in the equipment of their homes, offices, factories and farms.

But what has made this improvement possible? Investment -- in better tools, better machines, new materials, new processes. One man in a modern factory or on a modern farm can do the work of a whole group a generation or so ago.

One American farm worker today produces as much as five Russian farm workers.

In the United States, our traditional practice of investing part of what we produce in productive facilities, instead of consuming it all immediately, has provided us with an ever-increasing stock of equipment which enormously enhances the productive capacity of each individual member of our population. This makes for ever-higher living standards, and an ever-wider diffusion of prosperity.

To appreciate this fact we have only to think of the implications of our rate of population growth. Statisticians tell us that the number of Americans will increase by something like 28 million during the next decade and that we will have to provide productive employment for 13- 1/2 million additional workers above the 69 million now in the labor force. This will require very large outlays for plant and equipment. In the 100 largest manufacturing corporations, it takes a capital investment of

afternoon in learning a little more about how the savings bonds program fits into the broader picture of sound Government finance and a prosperous, growing economy.

A good place to start, I believe, is with something which may at first seem quite far removed from the rather formidable subject of Government finance. That is savings -- personal savings resulting from decisions of individuals and families to withhold part of current income for future use.

Now this is a matter we all know about through personal experience. It isn't something we need an economics course to understand. There may be some few of you, like me, who can remember back to a time when a favorite Christmas present from an aunt or uncle was a toy savings bank or a handful of brand new pennies. I won't ask you how many youngsters you can think of nowadays who would be satisfied with such a present. Savings customs have altered along with the many other changes in our society in recent years. But the principles of thrift and the importance of savings to the Nation's advancement have remained unchanged -- except that, possibly, the role of savings in our economy has grown in significance as well as magnitude.

Today, as in the early days of our history, savings are essential to the Nation's security and growth. They are a vital element in improved standards of living. The great problem of the underdeveloped countries is to raise the living standard above bare subsistence so that some savings can be generated to begin the improvement of the primitive tools of production.

the many hours of hard work performed by thousands of volunteers in our savings bonds program, including large numbers in your member organizations.

You did not stop with your wartime service of selling more than a half billion dollars of savings bonds directly through your member groups -- and many times that amount through your generous participation in War Loan and Victory Loan drives. We have been delighted that the Federation since 1946 has sponsored a continuing program of bond-a-member and bond-a-month purchases. In addition, you have performed a unique service in reaching the grass roots of savings and thrift through your sponsorship of savings stamps purchases, both at club meetings and among the young people in our schools. Your able and efficient Savings Bonds Chairman, Mrs. Kirkman, has described this part of the program as "stamping a passport to security." This is an apt description indeed.

I cannot mention Mrs. Kirkman, whom we in the Treasury depend on very heavily in promoting our savings bonds program, without expressing our particular thanks also to your current President, Miss Gifford, and to your former President, Mrs. Ahlgren, who is now Chairman of the National Women's Advisory Committee for Savings Bonds. Our appreciation of the loyal support of these national leaders and indeed of all of you is real and heartfelt, and I might add that it conforms to the definition of gratitude as "a lively anticipation of favors yet to come." We know that you will continue these fine efforts to broaden the participation of Americans in the financing of their Government. And it is for this reason that I thought you would be particularly interested this

HOLD FOR RELEASE ON DELIVERY

TREASURY DEPARTMENT
Washington

REMARKS BY JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY, AT THE 69TH ANNUAL CONVENTION OF THE GENERAL FEDERATION OF WOMEN'S CLUBS, SHERATON-PARK HOTEL, WASHINGTON, D. C., TUESDAY, JUNE 14, 1960, 3:30 PM (EDT).

I am very happy to be here today. It is a pleasure -- and I may add that it is a refreshing change -- to face an audience as charming and as widely representative of community leadership as this one.

I am particularly grateful for the chance to say "thank you" in person to all of you here for the loyal and generous support which the General Federation of Women's Clubs has given the Treasury's savings bonds program over the years. There is no greater service which you could have rendered the Government, and indeed no greater contribution which you could have made to your personal security and that of your families. One of the things I want to do this afternoon is to explain why this is so; and to get things in perspective let me give you a few figures.

Today, individuals in this country own $46 billion of United States savings bonds. This represents approximately one-fifth of our total publicly-held national debt. It averages out at more than $250 of savings in this form for every man, woman and child in this country -- and close to $900 for every American family.

Figures such as these add up to a resounding vote of confidence in the financial strength of our Government and in the soundness of the American dollar. They could not have been achieved, however, without

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283

schools. Your able and efficient Savings Bonds Chairman, Mrs. Kirkman, has described this part of the program as "stamping a passport to security." This is an apt description indeed.

I cannot mention Mrs. Kirkman, whom we in the Treasury, depend on very heavily in promoting our savings bonds program, without expressing our particular thanks also to your current President, Miss Gifford, and to your former President, Mrs. Ahlgren, who is now Chairman of the National Women's Advisory Committee for Savings Bonds. Our appreciation of the loyal support of these national leaders and indeed of all of you is real and heartfelt, and I might add that it conforms to the definition of gratitude as "a lively anticipation of favors yet to come." We know that you will continue these fine efforts to broaden the participation of Americans in the financing of their Government. And it is for this reason that I thought you would be particularly interested this afternoon in learning a little more about how the savings bonds program fits into the broader picture of sound Government finance and a prosperous, growing economy.

A good place to start, I believe, is with something which may at first seem quite far removed from the rather formidable subject of Government finance. That is savings -- personal savings resulting from decisions of individuals and families to withhold part of current income for future use.

Now this is a matter we all know about through personal experience It isn't something we need an economics course to understand. There may be some few of you, like me, who can remember back to a time when a favorite Christmas present from an aunt or uncle was a toy savings bank or a handful of brand new pennies. I won't ask you how many youngsters you can think of nowadays who would be satisfied with such a present. Savings customs have altered along with the many other changes in our society in recent years. But the principles of thrift and the importance of savings to the Nation's advancement have remained unchanged -- except that, possibly, the role of savings in our economy has grown in significance as well as magnitude.

Today, as in the early days of our history, savings are essential to the Nation's security and growth. They are a vital element in improved standards of living. The great problem of the underdeveloped countries is to raise the living standard above bare subsistence so that some savings can be generated to begin the improvement of the primitive tools of production.

All of us here, I am sure, whether we come from large cities, farming communities, or small towns, are well aware that the high living standards in this country are attributable largely to the application of improved methods and equipment. Americans take for granted a constant improvement in the equipment of their homes, offices, factories and farms.

But what has made this improvement possible? Investment -- in better tools, better machines, new materials, new processes. One man in a modern factory or on a modern farm can do the work of a whole group a generation or so ago.

One American farm worker today produces as much as five Russian farm workers.

In the United States, our traditional practice of investing part of what we produce in productive facilities, instead of consuming it all immediately, has provided us with an ever-increasing stock of equipment which enormously enhances the productive capacity of each individual member of our population. This makes for ever-higher living standards, and an ever-wider diffusion of prosperity.

To appreciate this fact we have only to think of the implications of our rate of population growth. Statisticians tell us that the number of Americans will increase by something like 28 million during the next decade and that we will have to provide productive employment for 13-1/2 million additional workers above the 69 million now in the labor force. This will require very large outlays for plant and equipment. In the 100 largest manufacturing corporations, it takes a capital investment of $20,000 on the average to put an additional man to work -- a larger amount, in many cases, than the cost of his home. Our total capital needs for plant and equipment over the next decade have been conservatively estimated at more than $400 billion.

There are only three possible ways in which the necessary funds can be provided. First, we can get the money by running the printing press. Second, we can get it by the expansion of bank credit, which is the next thing to running it off the printing press. Third, we can get it by savings.

Printing press money or undue expansion of bank credit, as all the world should know from bitter experience, will lead to ruinous inflation as surely as night follows day. Other countries provide too many horrible examples of currency debasement for us to have to repeat the experience in order to learn the pitfalls of such a course. Savings, then, are the only acceptable source of investment funds.

When it comes to our own personal finances, it is easy to see that in order to increase our investments we must save part of our income instead of spending it all. Yet many fail to recognize that productive investment by the economy as a whole is also possible only through saving. The major lesson of economics, however much it may be dressed up or elaborated, is really just as simple as that. To produce more we must save more.

Now what follows from this elementary fact -- for you and me, for ordinary citizens everywhere? Just this: a nation's growth is

fostered by whatever increases its rate of saving and is retarded by whatever hampers savings. Over the years, the growth in the total production of this economy has been strikingly parallel to the rise in savings and investment.

Since this is so -- and the figures provide irrefutable evidence -- the next step is to examine what promotes saving, and what holds it back. To do this, we need to know a little more about the source of the funds which flow out into investment channels.

You may be surprised to learn that when we get down to fundamentals we find that bankers and bank loans are not the most significant factor in the investment process in our Nation. A major role is played by the millions of individuals throughout the country who week by week and month by month are setting aside some of their income in the form of savings. Last year over $10 billion of individuals' savings flowed into savings banks, commercial banks, savings deposits, savings and loan associations and credit unions. At the end of the year, individuals' total accumulations in these forms amounted to more than $155 billion -- with an additional $46 billion invested in U. S. savings bonds of all series and $140 billion accounted for by individuals' savings in the form of private insurance and pension reserves. On top of these sums, the stake of American citizens in Government insurance and pension reserves amounted to another $67 billion. These add up to a grand total of $408 billion of direct and indirect savings by individuals.

Now I wonder whether some of you may not be thinking at this point: What do my savings deposits or the life insurance premiums I pay have to do with investment -- with a new factory in the next town, for example, or new improved products in my home? The answer is that they have a very direct relationship. The money which we as individuals put into savings institutions or into insurance is not kept idle. It is loaned out -- subject to careful regulations which assure prudent investment practices. Your money thus becomes a source of loan funds for expansion and improvement of all kinds. Non-financial corporations save part of their incomes too, and this money adds to the sum total of the supply of funds available for investment. But a large part of the savings funds which make possible the growth and prosperity of our country comes from individual savers like you and me.

The American investor, in short, does not fit into the traditional picture of the big capitalist or the big banker. He is a man who owns one of the 22,000,000 accounts in mutual savings banks; one of the 27,000,000 accounts in savings and loan associations; or one of the 35,000,000 savings accounts in commercial banks. He is one of the 35,000,000 Americans who own savings bonds. He is one of the 115,000,000 with savings in the form of life insurance or one of the 14,000,000 who are protected by non-insured pension plans.

The figures I have just been quoting -- while there is duplication in them -- indicate that the great mass of interest-bearing savings comes from the many millions of individual savers. Collectively, individual

291

consumers save enough to more than cover their own borrowing needs; thus they can help meet the net demand for saving by businesses and governments. Last year, in fact, consumers held interest-bearing assets amounting to nearly two-and-one-half times the amount of debt on which they had to pay interest.

Many, perhaps most, individual savers do not realize that they are furnishing money which may in time make possible a new synthetic material or an improved mechanical process. But that is exactly what they are doing. Our American society can truly be characterized as a people's capitalism.

Those who try to draw a sharp distinction between human values and property values strike a false note. They have simply failed to recognize the elements of the process making for human betterment. Henry Ford has been quoted as saying that the greatest materialist is the man who is without food, shelter, clothing, or security, for he can think of nothing but these wants. This points to an important truth.

Let us make no mistake -- capital for the most part is saved-up human labor. The very existence of capital means that someone has denied himself present benefits for greater future good. This is the savings process, it is the growth process -- it is the source of human betterment.

The savings bond program relates to the savings process which I have been talking about in three very important ways.

First, savings bonds campaigns in this country have been of incalculable value -- and I use this term deliberately -- in encouraging the habit of regular saving which is so essential to our growth and prosperity. This is particularly true of the payroll savings plan and the school savings stamp plan. Many persons who would like to save never get around to it. If they can be persuaded to sign up for an automatic program the process is much less painful and once learned may become a lifelong habit.

Second -- surprising as it may seem, when most of our national debt represents part of the cost of two world wars -- savings bond purchases represent a very dynamic factor in our present-day economy. One wonders how many hundreds of thousands of new homes have been purchased by veterans and others who accumulated the necessary $500 or $1,000 down payment through payroll deduction for savings bonds. The purchase of the home triggers a demand for furniture and household equipment of all kinds. Without this disciplined type of savings, a significant part of these purchases would not have taken place and the face of America would look quite different.

The next time you drive around your own neighborhood you might keep in mind the fact that there would be great gaps in the new housing developments which have sprung up in so many parts of the country if it weren't for the money accumulated -- sometimes almost unconsciously -- through payroll deductions for savings bonds.

282

The third way in which savings bonds relate to the whole process of savings and investment in this country is perhaps the most important of all. Savings bonds are a vital part of the type of Government financing which help to keep our dollar sound and inflationary forces in check, and it is this point which I should like to tell you a little more about now.

Every reasonable person will agree that if the dollar is constantly losing value -- if things cost more and more, month by month, and year by year -- there is little incentive to save. Inflation, therefore, if prolonged indefinitely, could destroy the very roots of our growth through undermining the savings process. A tendency for prices to keep on rising is one of the most important things to guard against if we want to increase our rate of saving -- rather than see it slowing down. Inflation engendered by war may be an inevitable part of the cost which must be paid. But we need not and must not permit such a charge to be levied on our economy during peacetime.

Sound Government finance, of which savings bonds are an important part, represents one of the best defenses we have against inflation. A brief look at the financing job we have to do in the Treasury each year will show you why this is so.

There are now about $46 billion savings bonds of all series owned by individuals in this country. This represents, however, only a part of our total national debt which amounts at present to over $289 billion. A large share of our debt over and above savings bonds is in the form of securities which can be bought and sold in the market, and something like $75 billion of these securities mature and come due for payment to the holders every year. During periods when we are not cutting down the total amount of our national debt, the Government must sell new securities in the investment market to replace those which are coming due. Some of these new securities are what we call "short-term." That is, they are obligations which come due and will be presented to the Treasury for payment within a year, two years, or even in some instances within a few months.

A certain amount of short-term securities serves a useful purpose for businesses and institutions with money to invest which they will want to use for other purposes in a short time. The issuance of such securities in amounts beyond what the economy requires, however, is very close to printing press money -- the most inflationary and therefore one of the most dangerous types of financing which a Government can engage in. The more savings bonds we sell, the fewer inflationary type securities we will have to issue. On the average, savings bonds owners hold their securities for about 7 years before turning them in for cash redemption. It is clear, therefore, that the savings bonds program makes a vital contribution to sound Government finance and a sound dollar through reducing the reliance which the Treasury must place on inflationary, short-term financing.

At this point I should like to mention another and somewhat related matter which is of serious concern to the Treasury in the debt management job it is trying to do at the present time.

A statute which has been on the books since World War I limits the interest rate we can offer on marketable bonds issued to mature longer than 5 years to 4-1/4 percent -- lower than the rate which people with money to loan out are willing to accept for securities of this type in the kind of investment markets we have been experiencing for the past year. We have not been able to sell any appreciable amount of marketable bonds maturing in longer than 5 years. Yet we must continue to sell marketable securities in order to gather in enough money to meet the $75 billion of maturities coming due for payment each year.

This means only one thing -- increasing our offerings of short-term securities, which are under no limitations as to interest rate, and selling many more of them than we would otherwise have to do. The Treasury has asked Congress to repeal this legislation since it keeps us in the financing area which holds the greatest threat to the stability of our economy. Action must be taken to remove the 4-1/4% ceiling sooner or later -- and the sooner the better, before the maturity schedule of our huge debt becomes further distorted. Already, average maturities have dropped to the point where almost 80 percent of our marketable debt falls due within five years. Paradoxically, removing the interest rate ceiling will operate to reduce average interest rates rather than to raise them.

To sum up: The savings process is essential to our growth and prosperity and depends largely on decisions to spend or save made by families and individuals throughout the Nation. Fear of inflation slows down the rate of saving. Confidence in the future value of the dollar encourages people to save more. Sound Government financial practices (including a vigorous savings bonds program) represent one of the most important safeguards against deterioration in the value of our currency.

The programs having to do with savings bonds and other Treasury securities, however -- which we lump together under the term "debt management" -- represent only one part of the financial business of the Government. It is of the utmost importance also to keep the income and outgo of the Federal Government in reasonable balance, not necessarily every year, but certainly over a period of years, to help keep our economy balanced and healthy and our dollar sound.

This point need not be labored with an audience such as this. You know the penalty of household budgets which continually run

higher than income. I would only emphasize that it is even more serious for a Government than for a household or private organization if it should go on year after year spending beyond its income. There is no surer way to destroy the value of the currency and thereby weaken the functioning of the economy. Every nation that has tried to get ahead by this means has failed. At best, the damage has had to be repaired at the cost of a program of austerity, often accompanied by a drift toward socialism.

We must remember, also, that at the present time the capacity of the entire free world to resist aggression rests very largely on the sustained economic and financial strength of the United States. The risks inherent in unsound budget practices are thus not ours alone; they involve every free nation and the cause of peace itself.

The President's program for budget balance this year and a surplus of revenues over expenditures during the fiscal year beginning July 1 has, as you know, brought forth an enthusiastic public response. We must not forget, however, that the job of actually keeping Government expenditures in line with income rests squarely with the American people. They alone must decide what programs we can safely undertake, over and above those required for national security and essential civilian services. They alone can effectively resist the demands of special interest groups for programs benefiting one sector of the population as against others. There must be a realization on the part of all groups and all citizens that we cannot as individuals or as a Nation at one and the same time have all the things which are desirable and still keep our finances in a sound condition.

The emphasis which I have been putting today on well-considered budget and debt management policies does not mean, of course, that we need do nothing further to keep our economy sound and our financial structure in good order. We must continue to give our Federal Reserve authorities the independence and flexibility of action which they require in order to do an effective job of monetary management. Outside the area of Government, we, as citizens, must be continually on guard against business or labor practices which result in unjustified price increases. Such increases may appear at first to be confined to one geographical area or one industry. In time, however, they can set in motion dangerous inflationary spirals which eventually affect the living costs of every family.

Some of the considerations which I have just mentioned may seem to lie outside the responsibilities of most of you here. I am emphasizing them, nevertheless, because I do not underestimate the power of women to bring order and logic to any question involving money matters, particularly where family budgets are involved. I am certain that your influence on the side of prudence and restraint,

wherever it may be exercised, will have effects in your communities which go far beyond your direct participation in business or Government activities.

There is one further thought which I should like to ask you to keep in mind as you return to your communities. It is this: There could be no more mistaken view than the false doctrine sometimes put forward that sound budget and monetary practices are a negative course of action -- something that will hold us back from what might otherwise be accomplished.

The truth is the exact opposite. A dollar in which people have confidence -- a dollar which keeps its value over the years -- is an absolute essential to the achievement of all the other goals which we seek to realize for our families, our communities, and our Nation. With the help of the women of this country -- offered so generously and on so many fronts in the past -- I am confident that our economy will continue to have the strength and vitality so essential to enduring peace.

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6918

STATUTORY DEBT LIMITATION

AS OF MAY 31, 1960

Washington, June 10,1960

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	$37,332,142,000		
Certificates of indebtedness	17,650,060,000		
Treasury notes	47,557,321,000	$102,539,523,000	
Bonds-			
Treasury	85,145,335,550		
* Savings (current redemp. value)	47,592,527,572		
Depositary	170,629,000		
Investment series	6,909,805,000	139,818,297,122	
Special Funds-			
Certificates of indebtedness	8,842,207,000		
Treasury notes	10,479,699,000		
Treasury bonds	24,578,110,000	43,900,016,000	
Total interest-bearing		286,257,836,122	
Matured, interest-ceased		409,331,999	
Bearing no interest:			
United States Savings Stamps	54,026,908		
Excess profits tax refund bonds	796,883		
Special notes of the United States:			
Internat'l Monetary Fund series	2,238,000,000	2,292,823,791	
Total		288,959,991,912	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A.	132,907,800		
Matured, interest-ceased	541,575	133,449,375	
Grand total outstanding			289,093,441,287
Balance face amount of obligations issuable under above authority			5,906,588,713

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

(Daily Statement of the United States Treasury, May 31, 1960 (Date))

Outstanding-	
Total gross public debt	289,366,525,592
Guaranteed obligations not owned by the Treasury	133,449,375
Total gross public debt and guaranteed obligations	289,499,974,967
Deduct - other outstanding public debt obligations not subject to debt limitation	406,533,680
	289,093,441,287

A-859

STATUTORY DEBT LIMITATION

AS OF MAY 31, 1960

Washington, June 10,1960

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A-859

A - 860

RELEASE A. M. NEWSPAPERS, Tuesday, June 14, 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 March 17, 1960, and the other series to be dated June 16, 1960, which were offered on June 8, were opened at the Federal Reserve Banks on June 13. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 15, 1960		182-day Treasury bills maturing December 15, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.427 a/	2.267%	98.750	2.473%
Low	99.407	2.346%	98.718	2.536%
Average	99.421	2.292% 1/	98.738	2.497% 1/

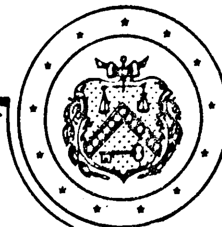
a/ Excepting one tender of $675,000
28 percent of the amount of 91-day bills bid for at the low price was accepted
46 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 23,616,000	$ 13,166,000	$ 6,082,000	$ 5,882,000
New York	1,658,911,000	910,371,000	608,151,000	388,919,000
Philadelphia	27,173,000	12,173,000	7,303,000	2,121,000
Cleveland	30,401,000	24,829,000	11,479,000	6,479,000
Richmond	13,800,000	13,200,000	9,099,000	4,099,000
Atlanta	22,165,000	20,565,000	2,450,000	2,450,000
Chicago	183,186,000	95,946,000	90,819,000	38,109,000
St. Louis	22,981,000	21,121,000	4,538,000	4,538,000
Minneapolis	10,151,000	8,115,000	3,402,000	2,402,000
Kansas City	29,151,000	25,001,000	10,490,000	8,490,000
Dallas	11,213,000	11,213,000	2,645,000	2,645,000
San Francisco	56,145,000	44,645,000	38,593,000	33,901,000
TOTALS	$2,088,893,000	$1,200,345,000 b/	$795,051,000	$500,035,000 c/

b/ Includes $215,938,000 noncompetitive tenders accepted at the average price of 99.421
c/ Includes $41,447,000 noncompetitive tenders accepted at the average price of 98.738
1/ Average rate on a coupon issue equivalent yield basis is 2.34% for the 91-day bills and 2.56% 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, June 14, 1960. A-860

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 March 17, 1960, and the other series to be dated June 16, 1960, which were offered on June 8, were opened at the Federal Reserve Banks on June 13. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

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Average	99.421	2.292% 1/	98.738	2.497% 1/

a/ Excepting one tender of $675,000
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Philadelphia	27,173,000	12,173,000	7,303,000	2,121,000
Cleveland	30,401,000	24,829,000	11,479,000	6,479,000
Richmond	13,800,000	13,200,000	9,099,000	4,099,000
Atlanta	22,165,000	20,565,000	2,450,000	2,450,000
Chicago	183,186,000	95,946,000	90,819,000	38,109,000
St. Louis	22,981,000	21,121,000	4,538,000	4,538,000
Minneapolis	10,151,000	8,115,000	3,402,000	2,402,000
Kansas City	29,151,000	25,001,000	10,490,000	8,490,000
Dallas	11,213,000	11,213,000	2,645,000	2,645,000
San Francisco	56,145,000	44,645,000	38,593,000	33,901,000
TOTALS	$2,088,893,000	$1,200,345,000 b/	$795,051,000	$500,035,000 c/

b/ Includes $215,938,000 noncompetitive tenders accepted at the average price of 99.421
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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 March 24, 1960, (91 days remaining until maturity date on September 22, 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 June 23, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 23, 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

IMMEDIATE RELEASE, 4:00 P.M., EDT,
Wednesday, June 15, 1960.

A-861

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,700,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 23, 1960, in the amount of $1,700,188,000, as follows:

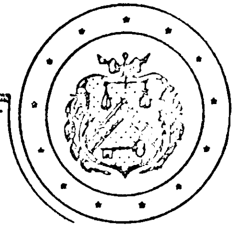
91-day bills (to maturity date) to be issued June 23, 1960, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated March 24, 1960, and to mature September 22, 1960, originally issued in the amount of $399,970,000, the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated June 23, 1960, and to mature December 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 Daylight Saving time, Monday, June 20, 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.

IMMEDIATE RELEASE
Wednesday, June 15, 1960

A-861

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182-day bills, for $ 500,000,000, or thereabouts, to be dated June 23, 1960, and to mature December 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 Daylight Saving time, Monday, June 20, 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 March 24, 1960, (91 days remaining until maturity date on September 22, 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 June 23, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 23, 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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June 2, 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 May 1960:

Purchases	$24,241,000.00
Sales	2,411,500.00
NET PURCHASES. . .	21,829,500.00

MRM

301

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-863

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to June 4, 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 June 4, 1960
Buttons............	765,000	Gross	124,257
Cigars.............	180,000,000	Number	1,429,870
Coconut oil........	403,200,000	Pound	37,545,599
Cordage............	6,000,000	Pound	1,911,990
Sugars (Refined.....	1,904,000,000	Pound	70,332,000*
Sugars (Unrefined...			1,839,075,000*
Tobacco............	5,850,000	Pound	5,761,264

* Information furnished by Department of Agriculture, covering total authorizations, in terms of raw value, issued under quota through June 13, 1960.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-863

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1960, to June 4, 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 June 4, 1960
Buttons............	765,000	Gross	124,257
Cigars.............	180,000,000	Number	1,429,870
Coconut oil........	403,200,000	Pound	37,545,599
Cordage............	6,000,000	Pound	1,911,990
Sugars (Refined.....	1,904,000,000	Pound	70,332,000*
Sugars (Unrefined...			1,839,075,000*
Tobacco............	5,850,000	Pound	5,761,264

* Information furnished by Department of Agriculture, covering total authorizations, in terms of raw value, issued under quota through June 13, 1960.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-864

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 - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - June 14, 1960

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	2,921,148
Belgium and Luxemburg (total)	-		-		-		7,520,000	1,436,230
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	11,078,345	66,480,000	66,480,000	37,840,000	23,994,923
Italy	-		-		-		3,600,000	1,575,056
Mexico	-		36,880,000	34,054,879	70,480,000	70,480,000	6,320,000	4,725,008
Peru	16,160,000	14,243,048	12,880,000	5,373,773	35,120,000	27,731,749	3,760,000	2,043,030
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	14,685,553	-		-	
All other foreign countries (total)	6,560,000	6,198,350	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	3,830,992

BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

3
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IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-864

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 - April 1, 1960 - June 30, 1960

IMPORTS - April 1, 1960 - June 14, 1960

Country of Production	ITEM 391		ITEM 392		ITEM 393		ITEM 394	
	Lead-bearing ores, flue dust, and mattes		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.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		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	2,921,148
Belgium and Luxemburg (total)	-		-		-		7,520,000	1,436,230
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	11,078,345	66,480,000	66,480,000	37,840,000	23,994,923
Italy	-		-		-		3,600,000	1,575,056
Mexico	-		36,880,000	34,054,879	70,480,000	70,480,000	6,320,000	4,725,008
Peru	16,160,000	14,243,048	12,880,000	5,373,773	35,120,000	27,731,749	3,760,000	2,043,030
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	14,685,553	-		-	
All other foreign countries (total)	6,560,000	6,198,350	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	3,830,992

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TREASURY DEPARTMENT
Washington

411

IMMEDIATE RELEASE,
Thursday, June 16, 1960.

A-865

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the 12 months commencing May 29, 1959, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1959, to May 28, 1960	Established Quota	Imports May 29, 1959, to May 28, 1960
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	441
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,441

TREASURY DEPARTMENT
Washington

312

IMMEDIATE RELEASE,
Thursday, June 16, 1960.

A-865

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the 12 months commencing May 29, 1959, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1959, to May 28, 1960	Established Quota	Imports May 29, 1959, to May 28, 1960
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	441
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,441

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE,
Thursday, June 16, 1960.

A-866

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the 12 months commencing May 29, 1960, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1960, to June 4, 1960	Established Quota	Imports May 29, 1960, to June 4, 196
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	1,200
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,816,200

TREASURY DEPARTMENT
Washington

314

IMMEDIATE RELEASE,
Thursday, June 16, 1960.

A-866

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the 12 months commencing May 29, 1960, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1960, to June 4, 1960	Established Quota	Imports May 29, 1960, to June 4, 1960
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	1,200
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,816,200

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 June 13, 1960	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1959 to June 13, 1960
United Kingdom	4,323,457	1,924,572	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	2,345,867	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
Thursday, June 16, 1960.

A-867

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 - June 13, 1960

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-
Peru	247,952	-
British India	2,003,483	19,908
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 - June 13, 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.

311

IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-867

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 - June 13, 1960

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-
Peru	247,952	-
British India	2,003,483	19,908
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 - June 13, 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 June 13, 1960	Established 33-1/3% of Total Quota	Imports Sept. 20, 1959 to June 13, 1960 1/
United Kingdom	4,323,457	1,924,572	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	2,345,867	1,599,886	1,566,878

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 4, 1960
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	575,406*
Rye, rye flour, and rye meal....	Sept. 1, 1959 - June 30, 1960			
	Canada	75,851,741	Pound	Quota Filled
	Other Countries	1,547,995	Pound	-
Butter substitutes, including butter oil, containing 45% or more butterfat................	Calendar Year	1,200,000	Pound	1,199,952*
Tung Oil.......................	Feb. 1, 1960 - Oct. 31, 1960			
	Argentina	17,979,151	Pound	10,368,192*
	Paraguay	2,223,000	Pound	Quota Filled
	Other Countries	704,382	Pound	155,806*

* Imports through June 13, 1960.

319

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
Thursday, June 16, 1960.

A-868

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 June 4, 1960, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 4, 1960
Tariff-Rate Quotas:				
Cream, fresh or sour...........	Calendar Year	1,500,000	Gallon	3
Whole milk, fresh or sour......	Calendar Year	3,000,000	Gallon	6
Cattle, 700 lbs. or more each (other than dairy cows).......	April 1, 1960 - June 30, 1960	120,000	Head	20,87
Cattle, less than 200 lbs. ea..	12 mos. from April 1, 1960	200,000	Head	22,93
Fish, fresh or frozen, filleted etc., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	36,533,173	Pound	Quota Fil
Tuna fish......................	Calendar Year	53,448,330	Pound	18,262,87
White or Irish potatoes:				
Certified seed................	12 mos. from	114,000,000	Pound	54,873,92
Other.........................	Sept. 15, 1959	36,000,000	Pound	4,229,77
Walnuts........................	Calendar Year	5,000,000	Pound	3,702,09
Peanut oil.....................	12 mos. from July 1, 1959	80,000,000	Pound	42
Woolen fabrics.................	Calendar Year	13,500,000	Pound	Quota Fil
Woolen fabrics - Pres. Proc. 3285 and 3317 (T.Ds. 54845 and 54955).......	March 7 - Dec. 31, 1960	350,000	Pound	295,69
Stainless steel table flatware (table knives, table forks, table spoons)................	Nov. 1, 1959 - Oct. 31, 1960	69,000,000	Pieces	68,885,17

1/ Imports for consumption at the quota rate are limited to 18,266,586 pounds during the first six months of the calendar year.

(over)

TREASURY DEPARTMENT
Washington, D. C.

MEDIATE RELEASE
ursday, June 16, 1960.

A-868

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 June 4, 1960, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 4, 1960
riff-Rate Quotas:				
eam, fresh or sour...........	Calendar Year	1,500,000	Gallon	34
ple milk, fresh or sour......	Calendar Year	3,000,000	Gallon	61
ttle, 700 lbs. or more each other than dairy cows).......	April 1, 1960 - June 30, 1960	120,000	Head	20,871
ttle, less than 200 lbs. ea..	12 mos. from April 1, 1960	200,000	Head	22,934
sh, fresh or frozen, filleted c., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	36,533,173	Pound	Quota Filled 1/
a fish......................	Calendar Year	53,448,330	Pound	18,262,874
ite or Irish potatoes:				
rtified seed................	12 mos. from Sept. 15, 1959	114,000,000	Pound	54,873,920
her.........................		36,000,000	Pound	4,229,778
nuts........................	Calendar Year	5,000,000	Pound	3,702,091
nut oil.....................	12 mos. from July 1, 1959	80,000,000	Pound	423
llen fabrics................	Calendar Year	13,500,000	Pound	Quota Filled
llen fabrics - es. Proc. 3285 and 3317 .Ds. 54845 and 54955).......	March 7 - Dec. 31, 1960	350,000	Pound	295,698
inless steel table flatware able knives, table forks, able spoons)...............	Nov. 1, 1959 - Oct. 31, 1960	69,000,000	Pieces	68,885,170

1/ Imports for consumption at the quota rate are limited to 18,266,586 pounds during the first six months of the calendar year.

(over)

322

A

RELEASE A. M. NEWSPAPERS, Tuesday, June 21, 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 March 24, 1960, and the other series to be dated June 23, 1960, which were offered on June 15, were opened at the Federal Reserve Banks on June 20. Tenders were invited for $1,200,000,000 or thereabouts, of 91-day bills and for $500,000,000, 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 September 22, 1960		182-day Treasury bills maturing December 22, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.355 a/	2.552%	98.587 b/	2.795%
Low	99.332	2.643%	98.526	2.916%
Average	99.339	2.613% 1/	98.546	2.877% 1/

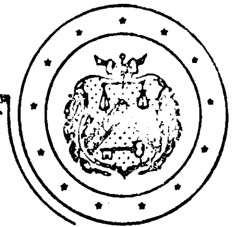
a/ Excepting one tender of $95,000
b/ Excepting two tenders totaling $680,000
45 percent of the amount of 91-day bills bid for at the low price was accepted
4 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 34,208,000	$ 24,208,000	$ 6,316,000	$ 6,316,000
New York	1,458,406,000	734,606,000	614,155,000	362,355,000
Philadelphia	30,586,000	19,476,000	7,804,000	5,804,000
Cleveland	35,858,000	35,858,000	33,959,000	23,654,000
Richmond	27,492,000	24,942,000	3,430,000	3,430,000
Atlanta	37,725,000	36,335,000	5,760,000	5,760,000
Chicago	241,806,000	165,456,000	73,009,000	47,509,000
St. Louis	25,896,000	24,396,000	4,595,000	4,595,000
Minneapolis	14,983,000	14,983,000	2,514,000	2,514,000
Kansas City	48,527,000	40,527,000	13,513,000	7,363,000
Dallas	13,449,000	13,449,000	4,203,000	3,248,000
San Francisco	82,035,000	65,985,000	36,471,000	27,471,000
TOTALS	$2,050,971,000	$1,200,221,000 c/	$805,729,000	$500,019,000 d/

c/ Includes $263,552,000 noncompetitive tenders accepted at the average price of 99.339
d/ Includes $49,455,000 noncompetitive tenders accepted at the average price of 98.546
1/ Average rate on a coupon issue equivalent yield basis is 2.67% for the 91-day bills and 2.96% 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, June 21, 1960. A-870

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 March 24, 1960, and the other series to be dated June 23, 1960, which were offered on June 15, were opened at the Federal Reserve Banks on June 20. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 22, 1960		182-day Treasury bills maturing December 22, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.355 a/	2.552%	98.587 b/	2.795%
Low	99.332	2.643%	98.526	2.916%
Average	99.339	2.613% 1/	98.546	2.877% 1/

a/ Excepting one tender of $95,000
b/ Excepting two tenders totaling $680,000
45 percent of the amount of 91-day bills bid for at the low price was accepted
4 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	$ 34,208,000	$ 24,208,000	$ 6,316,000	$ 6,316,000
New York	1,458,406,000	734,606,000	614,155,000	362,355,000
Philadelphia	30,586,000	19,476,000	7,804,000	5,804,000
Cleveland	35,858,000	35,858,000	33,959,000	23,654,000
Richmond	27,492,000	24,942,000	3,430,000	3,430,000
Atlanta	37,725,000	36,335,000	5,760,000	5,760,000
Chicago	241,806,000	165,456,000	73,009,000	47,509,000
St. Louis	25,896,000	24,396,000	4,595,000	4,595,000
Minneapolis	14,983,000	14,983,000	2,514,000	2,514,000
Kansas City	48,527,000	40,527,000	13,513,000	7,363,000
Dallas	13,449,000	13,449,000	4,203,000	3,248,000
San Francisco	82,035,000	65,985,000	36,471,000	27,471,000
TOTALS	$2,050,971,000	$1,200,221,000c/	$805,729,000	$500,019,000d/

c/ Includes $263,552,000 noncompetitive tenders accepted at the average price of 99.339
d/ Includes $49,455,000 noncompetitive tenders accepted at the average price of 98.546
1/ Average rate on a coupon issue equivalent yield basis is 2.67% for the 91-day bills and 2.96% 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.

324

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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 (16) or less for the additional bills dated March 31, 1960 (17), (91 (18) days remaining until maturity date on September 29, 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 June 30, 1960 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 30, 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

EXXXXXXXXX

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326

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE, 4:00 P.M., EDT,
XXXXXXXXXXXXXXXXXXXX
Wednesday, June 22, 1960.
(1)

A-871

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 June 30, 1960 (3), in the amount of $ 1,599,945,000 (4), as follows:

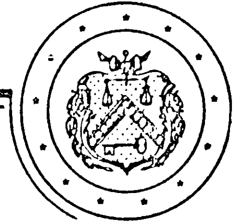
91 (5) -day bills (to maturity date) to be issued June 30, 1960 (6), in the amount of $1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated March 31, 1960 (8), and to mature September 29, 1960 (9), originally issued in the amount of $ 400,101,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 (12), or thereabouts, to be dated June 30, 1960 (13), and to mature December 29, 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 Daylight Saving ~~Standard~~ time, Monday, June 27, 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



WASHINGTON. D.C.

IMMEDIATE RELEASE,
Wednesday, June 22, 1960.

A-871

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 June 30, 1960, in the amount of $1,599,945,000, as follows:

91-day bills (to maturity date) to be issued June 30, 1960, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated March 31, 1960, and to mature September 29, 1960, originally issued in the amount of $400,101,000, the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated June 30, 1960, and to mature December 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 Daylight Saving time, Monday, June 27, 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 March 31, 1960, (91 days remaining until maturity date on September 29,1960) 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 June 30, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 30, 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-872

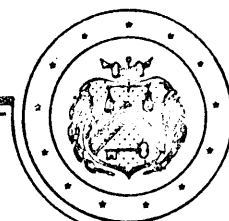
IMMEDIATE RELEASE
Wednesday, June 22, 1960.

The Treasury Department announced today the results of the current advance refunding offer of 3-3/4 percent Treasury Notes of Series D-1964, due May 15, 1964, and 3-7/8 percent Treasury Bonds of 1968, due May 15, 1968, both to be dated June 23, 1960, open to holders of 2-1/2 percent Treasury Bonds of 1961 maturing November 15, 1961. Subscriptions for the new issues amounted to $4,878,171,500 of which $4,216,368,500 was allotted leaving $6,960,783,500 of the 2-1/2 percent Treasury Bonds of 1961 to mature November 15, 1961.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	TREASURY BONDS OF 1968 Total Subscriptions Received & Allotted	TREASURY NOTES OF SERIES D-1964 Total Subscriptions Received	Total Allotments
Boston	$ 14,501,500	$ 133,135,000	$ 114,175,000
New York	127,114,500	1,586,442,000	1,353,672,000
Philadelphia	9,874,000	173,418,000	148,295,000
Cleveland	29,190,000	335,242,000	286,636,000
Richmond	15,792,000	122,925,000	105,234,000
Atlanta	9,902,500	165,128,000	141,336,000
Chicago	49,962,000	948,654,000	810,622,000
St. Louis	15,720,500	195,329,000	167,668,000
Minneapolis	5,502,000	134,418,000	115,187,000
Kansas City	15,745,000	201,499,000	173,201,000
Dallas	12,627,000	156,795,000	134,448,000
San Francisco	12,141,000	342,400,000	292,031,000
Treasury	3,630,500	61,084,000	52,161,000
Totals	$321,702,500	$4,556,469,000	$3,894,666,000

TREASURY DEPARTMENT



WASHINGTON, D.C.

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Wednesday, June 22, 1960.

A-872

The Treasury Department announced today the results of the current advance refunding offer of 3-3/4 percent Treasury Notes of Series D-1964, due May 15, 1964, and 3-7/8 percent Treasury Bonds of 1968, due May 15, 1968, both to be dated June 23, 1960, open to holders of 2-1/2 percent Treasury Bonds of 1961 maturing November 15, 1961. Subscriptions for the new issues amounted to $4,878,171,500 of which $4,216,368,500 was allotted leaving $6,960,783,500 of the 2-1/2 percent Treasury Bonds of 1961 to mature November 15, 1961.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	TREASURY BONDS OF 1968	TREASURY NOTES OF SERIES D-1964	
	Total Subscriptions Received & Allotted	Total Subscriptions Received	Total Allotments
Boston	$ 14,501,500	$ 133,135,000	$ 114,175,000
New York	127,114,500	1,586,442,000	1,353,672,000
Philadelphia	9,874,000	173,418,000	148,295,000
Cleveland	29,190,000	335,242,000	286,636,000
Richmond	15,792,000	122,925,000	105,234,000
Atlanta	9,902,500	165,128,000	141,336,000
Chicago	49,962,000	948,654,000	810,622,000
St. Louis	15,720,500	195,329,000	167,668,000
Minneapolis	5,502,000	134,418,000	115,187,000
Kansas City	15,745,000	201,499,000	173,201,000
Dallas	12,627,000	156,795,000	134,448,000
San Francisco	12,141,000	342,400,000	292,031,000
Treasury	3,630,500	61,084,000	52,161,000
Totals	$321,702,500	$4,556,469,000	$3,894,666,000

330

A-873

RELEASE A. M. NEWSPAPERS, Tuesday, June 28, 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 March 31, 1960, and the other series to be dated June 30, 1960, which were offered on June 22, were opened at the Federal Reserve Banks on June 27. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $500,000,000, 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 September 29, 1960		182-day Treasury bills maturing December 29, 1960	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.409	2.338%	98.608 a/	2.753%
Low	99.381	2.449%	98.570	2.829%
Average	99.394	2.399% 1/	98.581	2.806% 1/

a/ Except one tender of $500,000
3 percent of the amount of 91-day bills bid for at the low price was accepted
83 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	$ 25,802,000	$ 15,802,000	$ 2,364,000	$ 2,364,000
New York	1,325,147,000	752,747,000	636,805,000	349,977,000
Philadelphia	23,903,000	16,903,000	7,172,000	2,172,000
Cleveland	30,526,000	30,526,000	19,202,000	14,202,000
Richmond	11,959,000	11,959,000	4,718,000	2,718,000
Atlanta	18,026,000	17,626,000	6,104,000	5,704,000
Chicago	189,761,000	130,621,000	99,925,000	65,285,000
St. Louis	17,782,000	16,797,000	3,804,000	3,804,000
Minneapolis	7,820,000	7,820,000	4,101,000	3,701,000
Kansas City	32,992,000	30,082,000	5,322,000	5,297,000
Dallas	8,406,000	8,406,000	2,471,000	2,471,000
San Francisco	65,902,000	60,902,000	53,195,000	42,580,000
TOTALS	$1,758,026,000	$1,100,191,000 b/	$845,183,000	$500,275,000 c/

b/ Includes $180,174,000 noncompetitive tenders accepted at the average price of 99.394
c/ Includes $36,118,000 noncompetitive tenders accepted at the average price of 98.581
1/ Average rate on a coupon issue equivalent yield basis is 2.45% for the 91-day bills and 2.89% 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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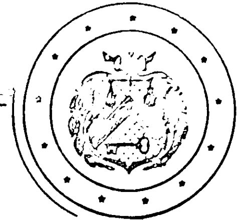
TREASURY DEPARTMENT



WASHINGTON, D.C.

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A-873

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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 (16) or less for the additional bills dated April 7, 1960 (17), (91 (18) days remaining until maturity date on October 6, 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 July 7, 1960 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 7, 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

A-57

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE, 4:00 P.M., EDT,
Monday, June 27, 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 July 7, 1960, in the amount of $1,500,345,000, as follows:

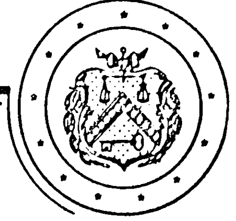
91-day bills (to maturity date) to be issued July 7, 1960, in the amount of $1,000,000,000, or thereabouts, representing an additional amount of bills dated April 7, 1960, and to mature October 6, 1960, originally issued in the amount of $500,080,000, the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated July 7, 1960, and to mature January 5, 1961.

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 Daylight Saving time, Friday, July 1, 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.

IMMEDIATE RELEASE,
Monday, June 27, 1960.

A-874

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 July 7, 1960, in the amount of $1,500,345,000, 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 April 7, 1960, (91 days remaining until maturity date on October 6, 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 July 7, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 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.

oOo

J. DEWEY DAANE

A native of Grand Rapids, Michigan, Mr. Daane received his A.B. Degree, magna cum laude, at Duke University in 1939. He received the degreesof Master of Public Administration in 1946 and Doctor of Public Administration in 1949 from Harvard University. From June 1939, except during periods of leave of absence, until May 1 of this year, Mr. Daane has been associated with the Federal Reserve Bank of Richmond in various positions. His principal duties have included economic research and analysis in the monetary field, and in recent years he served as an associate economist of the Federal Open Market Committee.

Mr. Daane is a member of the American Economic Association, American Finance Association, Southern Economic Association, and the Regional Science Association. He has been active in various local civic and social activities.

Mr. Daane's appointment becomes effective July 18, 1960. He is married and has one child.

ROBERT P. MAYO

Since February, 1959, Mr. Mayo has been the principal assistant to the Secretary and Under Secretary Julian B. Baird in the field of debt management. Prior to this assignment he headed the Debt Analysis Staff and was a technical advisor to Treasury officials on financing, public debt management, and general domestic economic problems.

Mr. Mayo, a native of Seattle, Washington, received his B.A. Degree in 1937 and M.B.A. Degree in 1938 from the University of Washington. He was in charge of research for the Washington State Tax Commission prior to coming to the Treasury in 1941. Mr. Mayo is married and has four children.

June 27, 1960

Dear Mr. Secretary:

As you know, I have been planning for some time to leave the Treasury to learn more about financial problems from the viewpoint of private industry. The date of my departure is now drawing closer and I am tendering my resignation to you and asking that it be effective as of July 31, 1960.

The fact that much of my service with the Treasury has been spent in helping you, your associates, and their predecessors in developing public policy on a wide variety of subjects does not seem to make this letter any easier to write. The thought of leaving the Treasury after almost twenty years brings mingled emotions. No one ever had a finer group of associates than those with whom I am now working. No one ever had a finer "boss" -- or a finer friend. Yet the opportunity to assume new responsibilities in other fields encourages me to take this step.

You can be sure that I will never forget what I have learned in the Treasury. You can be sure also that I will do everything I can in my new position to promote a broader understanding of the principles of fiscal responsibility.

My best wishes go with you in all of your future endeavors.

Sincerely yours,

(Signed) Bob

Robert P. Mayo
Assistant to the Secretary

Honorable Robert B. Anderson

Secretary of the Treasury

RELEASE AM NEWSPAPERS
WEDNESDAY, JUNE 29, 1960

A-875

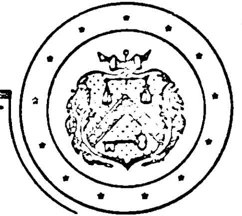
Treasury Secretary Anderson today accepted the resignation of Robert P. Mayo as Assistant to the Secretary and appointed J. Dewey Daane, Vice President and Economic Adviser of the Federal Reserve Bank of Minneapolis to succeed him.

Mr. Mayo's resignation becomes effective July 31 when he will become Vice President in the Trust Investment Division of the Continental Illinois National Bank and Trust Company in Chicago.

Mr. Daane will enter on duty July 18, assisting Under Secretary Julian B. Baird in Treasury financing and debt management.

The exchange of letters between Secretary Anderson and Mr. Mayo, together with brief biographies of Mr. Mayo and Mr. Daane, are attached.

TREASURY DEPARTMENT



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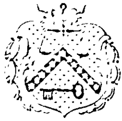


THE SECRETARY OF THE TREASURY
WASHINGTON

June 28, 1960

Dear Bob:

Few men have done more for their country in the conduct of its financial and fiscal affairs than you. You have contributed significantly not only to the operations of the Treasury for a long period of time but have contributed originality and genuine skill to the problems of our management of the debt during the past years when you have had this responsibility.

We shall all hate to see you leave. We know that we will be losing a valued and trusted advisor of unusual ability and, of equal importance, we shall be separating from a friend. On the other hand, you can be assured that my own personal best wishes and those of all your associates will go with you and will remain with you in your new undertaking.

I am sure that you will find the stimulus of private business activities rewarding and challenging. I have every confidence that you will contribute as constructively in this area as you have in the Treasury.

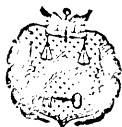
We shall all be keeping up with you and shall be looking forward to opportunities of visiting when we are in Chicago and you are back in Washington.

With warmest regards and sincere best wishes, I am

Sincerely, your friend

Robert B. Anderson

Mr. Robert P. Mayo
Assistant to the Secretary
The Treasury Department
Washington 25, D. C.



OFFICE OF THE SECRETARY OF THE TREASURY
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Mr. Daane is a member of the American Economic Association, American Finance Association, Southern Economic Association, and the Regional Science Association. He has been active in various local civic and social activities.

Mr. Daane's appointment becomes effective July 18, 1960. He is married and has one child.

IMMEDIATE RELEASE
June 30, 1960

A-876

The Treasury will borrow $3-1/2 billion and will reduce by $1/2 billion the July 15 issue of Treasury bills which are now outstanding in the amount of $2 billion. This will provide $3 billion of new funds to cover the Treasury's anticipated cash requirements during the first quarter of the new fiscal year beginning July 1. The new issues will consist of:

$3-1/2 billion, or thereabouts, of 252-day Treasury bills, Tax Anticipation Series, to be dated July 13, 1960, and to mature March 22, 1961, and

$1-1/2 billion, or thereabouts, of one-year Treasury bills to be dated July 15, 1960, and to mature July 15, 1961.

Tax Anticipation Treasury Bills

Tenders for the $3-1/2 billion of 252-day Treasury bills will be received at the Federal Reserve Banks and branches up to the closing hour, 1:30 p.m. Eastern Daylight Savings Time, on Wednesday, July 6, 1960. The bills will be dated July 13, 1960, and will mature March 22, 1961, but will be acceptable at par in payment of income and profit taxes due March 15, 1961. Noncompetitive tenders for $500,000, or less, without stated price from any one bidder will be accepted in full at the average price of accepted competitive bids.

These tax anticipation bills may be paid for by credit in Treasury tax and loan accounts.

Full details regarding the offering of this issue of tax anticipation bills are being released at this time.

One-Year Treasury Bills

The Treasury will also issue $1-1/2 billion of 1-year Treasury bills, for cash or in exchange for the $2 billion of Treasury bills which mature on July 15, 1960. The new bills will be sold on an auction basis, and tenders for such bills will be received on July 12, 1960. Payment for these bills cannot be made by credit in Treasury tax and loan accounts.

Full details regarding the offering of the bills to be issued on July 15, 1960, will be released next week.

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TREASURY DEPARTMENT

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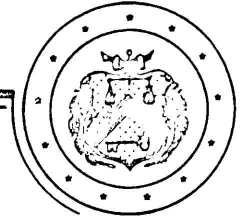

WASHINGTON, D.C.

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Tenders for the $3-1/2 billion of 252-day Treasury bills will be received at the Federal Reserve Banks and branches up to the closing hour, 1:30 p.m. Eastern Daylight Savings Time, on Wednesday, July 6, 1960. The bills will be dated July 13, 1960, and will mature March 22, 1961, but will be acceptable at par in payment of income and profit taxes due March 15, 1961. Noncompetitive tenders for $500,000, or less, without stated price from any one bidder will be accepted in full at the average price of accepted competitive bids.

These tax anticipation bills may be paid for by credit in Treasury tax and loan accounts.

Full details regarding the offering of this issue of tax anticipation bills are being released at this time.

One-Year Treasury Bills

The Treasury will also issue $1-1/2 billion of 1-year Treasury bills, for cash or in exchange for the $2 billion of Treasury bills which mature on July 15, 1960. The new bills will be sold on an auction basis, and tenders for such bills will be received on July 12, 1960. Payment for these bills cannot be made by credit in Treasury tax and loan accounts.

Full details regarding the offering of the bills to be issued on July 15, 1960, will be released next week.

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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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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.

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 Daylight Saving time, Wednesday, July 6, 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 $ 500,000 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. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on July 13, 1960, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

TREASURY DEPARTMENT
Washington

A-877

IMMEDIATE RELEASE,
Thursday, June 30, 1960.

The Treasury Department, by this public notice, invites tenders for $3,500,000,000, or thereabouts, of 252-day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated July 13, 1960, and they will mature March 22, 1961. They will be accepted at face value in payment of income and profits taxes due on March 15, 1961, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of March 15, 1961, income and profits taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before March 15, 1961, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before March 15, 1961, to the District Director of Internal Revenue for the District in which such taxes are payable. The bills 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 Daylight Saving time, Wednesday, July 6, 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

TREASURY DEPARTMENT

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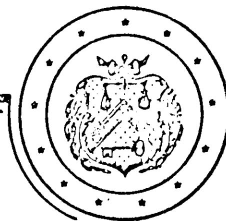

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Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. 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 Daylight Saving time, Wednesday, July 6, 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 $500,000 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. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on July 13, 1960, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

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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