U.S. Treasury Dept.
Press Releases

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE June 2, 1961

TREASURY TO ISSUE "STRIP"
OF EIGHTEEN BILL ISSUES

The Treasury will borrow $1,800,000,000 to cover its current cash requirements, including the amount necessary to redeem that portion of the Treasury tax anticipation bills due June 22, 1961, which will not be used in payment of income taxes due June 15.

This amount will be borrowed through the sale of a "strip" of additional amounts of eighteen series of outstanding Treasury bills maturing weekly from August 3, 1961, to November 30, 1961. The additional amount of each weekly series will be $100,000,000.

Tenders will be received for the additional bills on June 8, 1961, and tenders will be required to be submitted in units of $18,000, or even multiples thereof. A single price must be submitted for each unit of $18,000, or even multiple thereof. Amounts issued on accepted tenders will be applied equally to each of the eighteen separate issues included in the offering.

Noncompetitive tenders for $180,000, or less (in even multiples of $18,000), without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids.

The additional bills will be issued on June 14, 1961, and payment may be made by qualified depositaries through credit to Treasury tax and loan accounts.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 2, 1961

FOR IMMEDIATE RELEASE

TREASURY OFFERS $1,800,000,000 STRIP OF WEEKLY BILLS

The Treasury Department, by this public notice, invites tenders for additional amounts of eighteen series of Treasury bills to an aggregate amount of $1,800,000,000, or thereabouts, for cash. The additional bills will be issued June 14, 1961, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

Amount of Additional Issue	Original Issue Dates 1961	Maturity Dates 1961	Days from June 14, 1961 to Maturity	Amount Outstanding (in millions) June 2, 1961
$ 100,000,000	February 2	August 3	50	$1,601
100,000,000	February 9	August 10	57	1,601
100,000,000	February 16	August 17	64	1,600
100,000,000	February 23	August 24	71	1,600
100,000,000	March 2	August 31	78	1,501
100,000,000	March 9	September 7	85	500
100,000,000	March 16	September 14	92	500
100,000,000	March 23	September 21	99	500
100,000,000	March 30	September 28	106	500
100,000,000	April 6	October 5	113	500
100,000,000	April 13	October 13	121	500
100,000,000	April 20	October 19	127	400
100,000,000	April 27	October 26	134	400
100,000,000	May 4	November 2	141	500
100,000,000	May 11	November 9	148	500
100,000,000	May 18	November 16	155	501
100,000,000	May 25	November 24	163	500
100,000,000	June 1	November 30	169	500
$1,800,000,000				

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the amount of $18,000, or an even multiple thereof, and the amount tendered will be applied to each of the above series of bills on the basis of the ratio of each series to the total of all series. (For example, an accepted tender for $90,000 will be applied $5,000 to the issue with original date of February 2, 1961, and $5,000 to each of the additional weekly issues through the issue with original date of June 1, 1961.)

The bills offered hereunder will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in beare 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, June 8, 1961. Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each unit of $18,000, or even multiple thereof. A unit represents $1,000 face amount of each issue of bills offered hereunder, as previously described. 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 and 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. Noncompetitive tenders for $180,000 or less (in even multiples of $18,000) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids, provided, however, that if the total of noncompetitive tenders exceeds $900,000,000, the Secretary of the Treasury reserves the right to allot less than the amount applied for on a straight percentage basis with adjustments where necessary to the next higher multiple of $18,000. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on June 14, 1961, 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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Our own future importantly depends on them. The bill before you is essential to meet the need.

which is subject to Congressional action on the pending legislation

together with $400 million from the World Bank and IDA, and $1 billion from the United States, should enable India to proceed in an orderly manner to a successful launching of its Third Plan. ~~A part of the U.S. commitment is contingent upon additional funds being committed later in the year by other countries.~~ A similar meeting under the auspices of the World Bank is being held this week to consider aid to Pakistan.

If the United States and the other industrialized countries of the Free World fully cooperate in providing assistance to the developing areas - based upon the self-help efforts of the developing countries themselves - we can look forward to a decade of progress and development for the hundreds of millions of people in other lands economically less fortunate than our own. Their economic progress is to no small degree dependent on us.

progress in coordinating and enlarging Free World assistance to particular countries. The IBRD has pioneered in this effort by enlisting the cooperation of a number of industrialized countries in expending help to India and Pakistan. You are familiar with the Bank's role in the Indus Waters project and the financial participation by a number of its members in this important undertaking. The Bank has also played an important role in stimulating and coordinating efforts by the economically advanced countries to assist India's economic development by convening consortium meetings on several occasions in the past. Only last week it led a meeting of capital-exporting countries prepared to help in financing India's third Five-Year Plan. ~~Subject to necessary legislative or other action,~~ participating countries other than the U.S. indicated their willingness to provide $780 million over the next two years. This amount,

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~~the activity to be financed is in accord with Section 201 of the proposed bill and that the borrower will have the capacity to repay on the loan terms provided.~~ _7

We will also continue to work with the other industrialized nations of the Free World to encourage increased participation by them in providing economic assistance to the developing countries. This is the major objective of the 10(?)- ~~nation~~ Development Assistance Group which will soon be incorporated in the new Organization for Economic Cooperation and Development. The functions of the DAG (development assistance group) and the OECD (organ for economic cooperation & development) in this field will be discussed in detail by Under Secretary Ball.

20 In addition to the work of the DAG in urging the mobilization of resources of the industrialized countries for the purpose of helping the developing countries, there has been very substantial

Coordination with the international institutions and with the Export-Import Bank will also be effected through the National Advisory Council, through the U.S. Executive Directors of the international institutions and through informal day-to-day contacts. In addition, the proposed legislation provides for a Development Loan Committee, similar to the present DLF Board, to establish standards and criteria for the lending operations of the new aid agency in accordance with the foreign and financial policies of the United States. The Treasury Department and the Export-Import Bank will be represented on this inter-agency Committee.

Through proper coordination we can ensure that the new lending program will complement, rather than compete with, other
as well as the flow of private funds ~~for~~ available for
established lending institutions, domestic or international.
[In all cases, the administration ~~will want to be satisfied that~~

being worked out by the International Development Association~~s~~ should enable the United States to offer to the developing countries loan terms as favorable as those offered by any other country in the world. It is significant that The International Development Association reached ~~its~~ this decision after long and thorough ~~thorough~~ international discussion under the leadership of its distinguished President, Mr. Eugene Black.

The development lending operations of the new aid agency will necessarily be related to the activities of other lending institutions, national and international. As the United States Governor of the major international financial institutions, I have responsibility for assuring that the national lending activities of the United States are properly coordinated with the activities of the IBRD, the IDA, the IFC and the IDB.

considerably ease the annual and overall debt service burden of the loan.

It is for these reasons that development loans under the proposed program are intended to be on terms much less onerous than conventional banking terms. Periods of repayment may extend up to fifty years. Grace periods, in which no repayment of principal is required, may be granted up to ten years. Rates of interest could be low or non-existent, although a small

16 service charge might be made, ~~in lieu of interest.~~ In short, loan terms ~~could be varied depending on~~ would take into account the prospective situation of the ~~developing country~~ ~~developing country~~ borrower. Thus, while the objective of lending operations will be to improve the ability of the borrowing country to service its debts through progress in development, the burden of debt service will not be such as ~~not~~ to impede that progress. These terms and conditions which are along the lines

During the past few years the United States has come to recognize the need of the developing countries for loans on terms more favorable to the borrower than can be provided under conventional banking practices. Under the proposed legislation this need will continue to be met, even though dollar repayment is to be required. Dollar repayment should be possible as the developing country increases its ability to mobilize domestic
16 resources and to enlarge its exports and foreign exchange earning
But these self-help efforts of the developing countries will take time to bear fruit. Meanwhile, it is necessary to avoid excessiv debt burdens on the budget or the balance of payments of the developing country. Repayment over a long term with substantial grace periods whould allow the major burden of repayment to come after self-sustaining growth ~~is achieved~~ has commenced. Elimination or drastic reduction of the interest burden on loans should also

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has been used in many other lending programs, ~~notably those of the Export-Import Bank.~~ It would, in brief, put the returns from our earlier aid programs to the industrialized countries to work in our new program to help the developing countries.

The primary purpose of the development lending provisions of the Act for International Development is to assist the 13 developing countries in carrying out long-range development programs. Loan funds are intended to support those activities which make the most effective contribution to economic growth. Loans may, for example, be directed to specific projects. They may also be used to provide broad support for a national development program. They may also be used to help in establishing general financial and economic conditions essential to steady growth in the future. All three kinds of lending operations are essential if the needs of the developing countries are to be met.

our future relations with the countries whose currencies we are accumulating. This danger would be particularly acute if the U.S. Government were to acquire a large proportion of the outstanding money supply in a foreign country. The accumulation of large, and in many cases excessive or unusable amounts of local currency, provides (14) no advantage to the United States whereas repayment in dollars, even over a long period of time, would provide a definite return.

The President has also requested authority to make available for development lending, the dollars to be realized from repayments of earlier foreign obligations. This request is confined to outstanding obligations in which the U.S. has the option to require dollar repayments. The amounts, ~~which are reasonably ascertainable,~~ will approximate $300 million a year for the next few years. This is a reasonable extension of the revolving fund principle that and approved at that time by this Committee and the Senate

must be met by the ~~income~~ receipts of the Treasury.

The financing of development loans by borrowing authority was recommended by President Eisenhower in 1957 at the inception of the Development Loan Fund. As you know, the Development Loan Fund is authorized to make loans repayable in local currency - that is, repayable in the currency of the borrower (13) rather than in dollars. As a result of experience, it has been found desirabl to change this policy. It is now proposed that all development loans under the new program be repaid exclusively in dollars.

An important reason for this change is that the United States is rapidly acquiring large accruals of local currencies from various programs, most importantly from the sale of agricultural surpluses under Public Law 480. There is danger that continued large accruals of local currency by the U.S. Government could become a source of friction and misunderstanding in

~~authority for each~~ year.

Finally, the amounts to be borrowed under the proposed legislation would be included each year in the budget as new obligational authority in the same manner as other appropriations. Similarly, expenditures would appear in the regular expenditures budget. ~~Afsas~~ As far as the budget is concerned there is not the slightest difference between this method of funding and the appropriation process heretofore used for this program.

I would like to make a further point in connection with the use of borrowing authority. This is that borrowing from (12) the Treasury ~~by~~ under the Act for Intl Development (AID) would not mean that the Treasury ~~in turn~~ would be forced into any additional ~~to~~ borrowing from the public. To put it another way, the extent to which the Treasury may have to ~~borrow from~~ increase the public debt, or alternatively rely upon tax or other income, is exactly the same whether foreign development lending is financed by the borrowing method or ~~whether the~~ by funds ~~are~~ otherwise appropriated. The requirements of this and all other programs, foreign and domestic, determine the amount of over-all expenditure which

Insert P. 11

Under this act the aid agency would be required to submit to the appropriations committees an annual budget setting forth its proposed lending operations for the coming year and to obtain from Congress authority to expend funds in accordance with this budget.

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be exercised in each year of the 5-year period in a number of ways:

First, the law would determine the availability of the funds year-by-year.

Second, quarterly reports on lending operations would be submitted to the Congress.

Third, an annual presentation would be made to the authorizing Committees of the Congress covering all development lending operations.

Fourth, an annual presentation would be made to the Appropriations Committees of the Congress in accordance with the provisions of the Government Corporations Control Act. ~~Under this Act, the Appropriations Committees would have to recommend, and the Congress would have to approve, the use of the borrowing~~

Insert Coffin language

the foreign aid program would continue to be financed by appropriations.

It is a common practice to finance lending operations of U.S. agencies through loans and advances from the Treasury. The Treasury uses this method to finance the programs of more than twenty agencies, in accordance with the statutes governing the activities of the particular agency. A list of examples of legislative authorizations currently in effect, (10) for financing governmental activities through the borrowing method has been submitted for the information of the Committee.

This fiscal arrangement need not, and will not, mean any loss of legislative control over expenditures. The funds will be available only for the purposes and in the annual amounts approved by the Congress. Under the proposed legislation, specific Congressional control over the lending program would industrialized countries to join with us in providing aid to developing areas.

Because an effective long term foreign lending program requires an assured and adequate source of funds ~~with long-term authority~~ for solid ~~to permit~~ multi-year commitments, the President has requested that development loans be financed by borrowing from the Treasury. For this 9 purpose, the proposed bill provides for authority to borrow from the Treasury $900 million in fiscal year 1962 and $1.6 billion in each of the succeeding four years. This method would be used only for development loans and specific ceilings would be established limiting the amount of borrowing authority to be exercised annually. All loan transactions making use of this authority would be in dollars and all repayments would be in dollars. Grants or other forms of assistance connected with increased the cost of the foreign aid program. Without adequate assurance of financing for long-term programs to deal with the basic needs of ~~a~~ developing countr~~y~~ies, there is little incentive for ~~that~~ such countr~~y~~ies to organize ~~its~~ their plans or to adopt appropriate measures of self-help. We ask the developing countries to undertake basic and difficult reforms that are essential to development. But such reforms take years to implement, and our assistance to support such reforms has been plagued by year-to-year uncertainty. Reasonable assurance of outside assistance extending beyond the next year may often mean the difference between success or failure in the efforts of a developing country to adopt the measures requisite to effective development. Legislative authority to make multi-year commitments will greatly enhance the ability of the United States to effectively urge and cooperate in ~~real~~ basic reforms. It will also provide an incentive to other

In my judgment, the inability of the Executive to make long-term commitments has diminished the effectiveness and increased the cost of the foreign aid program. Without adequate assurance of financing for long-term programs to deal with the basic needs of a developing country, there is less incentive for such a country to THOROUGHLY organize its plans or to adopt the appropriate measures of self-help. We ~~ask~~ URGE the developing countries to undertake basic and difficult reforms that are essential to development. But such reforms take years to implement and require the support of long term development programs. Reasonable assurance of outside assistance extending over a period of years may often mean the difference between success or failure in the efforts

of a developing country to carry out the measures requisite to effective development. Legislative authority to make multi-year commitments will for the first time put the United States in a position to effectively ~~urge~~ STIMULATE and cooperate in basic reforms. It will also provide an incentive to other industrialized countries to join with the United States in providing aid to developing ~~ones.~~ AREAS, I am convinced from my earlier experience in the Department of State that long-term financing authority is an essential tool for the achievement of our foreign policy objectives. I am equally convinced as Secretary of the Treasury that this is the most efficient and least costly method of providing development assistance.

Adequate authority for long-term financing as proposed in the bill will permit both orderly development and effective execution of development lending programs by the administrator of the aid program. Without such authority there will continue to be insistent pressures for stop-gap financing to meet crises which could have been prevented, at less cost, by adequate long-range programs.

In my judgment the inability of the Executive to make long-term commitments has diminished the effectiveness and

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required. Also, emergency situations sometimes (6) require the transfer of aid through cash grants, a part of which ~~may~~ ~~ultimately be~~ is ultimately spent for the goods of other countries. Nevertheless, through our procurement policy we will keep to a minimum any adverse effect of aid spending on our payments situation. I am satisfied that the present directives are adequate to assure this result.

The new economic aid program set forth in the proposed Act for International Development emphasizes long-term authority for financing development lending. The President, in his letter transmitting the draft foreign assistance bill, stated that "Real progress in economic development cannot be achieved by annual, short-term dispensations of aid and uncertainty as to future intentions".

American exports financed by aid programs accounted for nearly half of our total export surplus. The fact that foreign assistance is in any case largely accompanied by an outflow of ~~of~~ American exports is not understood by those who hope to cure our payments deficit by curtailing foreign economic assistance. Nevertheless, for such time as our payments situation requires, our objective will be to assure that ~~not more than 20% of~~ at least 80% ~~to 90% of~~ of our foreign economic assistance will be spent on ~~non~~ U.S. goods and services. Because ~~while the fulfillment~~ of earlier commitments ~~will~~ ~~This limitation is already being implemented and~~ will ~~prevent us from reaching our goal~~ this goal cannot be achieved immediately but the new policy will have ~~increasing~~ on ~~an early~~ a favorable effect on our payments position.

Under the present policy, ~~It~~ it is not in every case practicable or desirable to require that foreign assistance funds be limited exclusively to the procurement of United States goods and services. In some cases, particular commodities financed by aid dollars are not available in the United States, or may not be available here in the time incurred   to be ex

The expenditures over the years following 1962 will ~~be~~ taken into account in the presentation of the budgets for those years.

As Secretary of the Treasury I am especially interested in the relationship of foreign assistance to our balance of payments. The program proposed is consistent with our efforts to achieve and sustain overall balance in our international payments. I wish to emphasize that it is the form in which aid is extended, rather than the amount to be provided, which is most relevant to this question. We will continue under the new program to place primary emphasis on the ~~use of assistance funds for~~ purchas~~ing~~e of United States goods and services by aid recipients. The preponderant part of foreign aid expenditures will be spent in the United States ~~for United States goods and services~~. Such expenditures, which are accompanied by American exports, ~~do not~~ have ~~an~~ no adverse impact on our balance of payments. In 1960

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~~$4.475 million for fiscal year 1962 to be funded by appropriations or borrowing authority. Of this amount, $2,590 million is economic assistance and is provided for in the proposed Act for International Development. In addition, that Act would authorize the aid agency to use dollars received from repayments of previous loans to foreign countries of about $300 million. The proposed Act for International Development would also provide $1.6 billion in development assistance for each of the following four years and for continued use in these years, for development assistance of dollar repayments to the United States on earlier loans.~~

The expenditure estimates for fiscal year 1962 under the proposed program are approximately the same as those contained in the budget/ presented to the Congress by President Eisenhower.

~~$4.475 million for fiscal year 1962 to be funded by appropriations or borrowing authority. Of this amount, $2,590 million is economic assistance and is provided for in the proposed Act for International Development. In addition, that Act would authorize the aid agency to use dollars received from repayments of previous loans to foreign countries of about $300 million.~~

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~~2a~~

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product, a figure that is certainly well within the capacity of our domestic economy now and in the years ahead.

The proposed bill also requests authority to borrow from the Treasury $1.6 billion for each of the following four years as well as continued authority to reuse the dollars from repayments on earlier foreign loans. These repayments are expected to average about $300 million annually during these four years.

The expenditure estim ates....

which I, as Secretary of the Treasury and Chairman of the National Advisory Council on International Financial and Monetary Problems, have a special responsibility. At my request the National Advisory Council has reviewed and approved those aspects of the proposed Act for International Development which relate to international financial policy.

~~The program which President Kennedy has submitted to the Congress is one that the United States can afford. It is well within the capacity of our domestic economy, now and in the years ahead. The President also requested, in his Special Message on Urgent National Needs, essential increases in the foreign aid program to meet unforeseen contingencies and for Military Assistance. With these increases, the total foreign assistance program - economic and military - would amount to~~

REMARKS BY SECRETARY OF THE TREASURY DOUGLAS DILLON BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE IN SUPPORT OF THE ACT FOR INTERNATIONAL DEVELOPMENT AND THE INTERNATIONAL PEACE AND SECURITY ACT, MONDAY, JUNE 5, 1961.

Insert A

I welcome the opportunity to appear before this Committee in support of the new foreign assistance program recommended by President Kennedy and provided for in S. 1983.

~~My views on the importance of foreign assistance are well known to the Committee.~~ Foreign assistance, adequate in amount and effective in form and administration, is essential to the security and well being of America. I agree with the views expressed by Secretary Rusk last Wednesday describing the urgency and importance of the new program.

I would like to confine my ~~detailed~~ remarks today to the financial aspects of the proposed legislation - aspects for

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Insert A

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My belief that foreign aid is a critically essential ingredient of our national policy is well known to this Committee. [redacted] as Secretary of the Treasury, I am, of course, intimately concerned with the formidable problem of [redacted] financeING all of our most urgent national needs, both foreign and domestic. If we are to meet these needs without sacrificing our fiscal integrity, we must set priorities. And I am firmly convinced that an adequate, flexible, and soundly-conceived program of foreign economic assistance merits very high priority [redacted] SUCH A PROGRAM IS BASIC [redacted] to the security and well-being of our nation & ~~continue to meet~~ [redacted] I agree with the views expressed by Secretary of State Rusk [redacted] last Wednesday describing the urgency and importance of [redacted] PRESIDENT KENNEDY'S new [redacted] program, AND I am [redacted] pleased to appear before you in support of [redacted] S. 1983.

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE
IN SUPPORT OF THE ACT FOR INTERNATIONAL DEVELOPMENT
AND THE INTERNATIONAL PEACE AND SECURITY ACT,
MONDAY, JUNE 5, 1961.

My belief that foreign aid is a critically essential ingredient of our national policy is well known to this Committee. As Secretary of the Treasury, I am, of course, intimately concerned with the formidable problem of financing all of our most urgent national needs, both foreign and domestic. If we are to meet these needs without sacrificing our fiscal integrity, we must set priorities. And I am firmly convinced that an adequate, flexible, and soundly-conceived program of foreign economic assistance merits very high priority. Such a program is basic to the security and well-being of our nation. I agree with the views expressed by Secretary of State Rusk last Wednesday describing the urgency and importance of President Kennedy's new program, and I am pleased to appear before you in support of S. 1983.

I would

TREASURY DEPARTMENT
Washington

June 5, 1961

For Release: Upon Delivery

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE
IN SUPPORT OF THE ACT FOR INTERNATIONAL DEVELOPMENT
AND THE INTERNATIONAL PEACE AND SECURITY ACT,
MONDAY, JUNE 5, 1961,
10:00 A.M., EDT.

My belief that foreign aid is a critically essential ingredient of our national policy is well known to this Committee. As Secretary of the Treasury, I am, of course, intimately concerned with the formidable problem of financing all of our most urgent national needs, both foreign and domestic. If we are to meet these needs without sacrificing our fiscal integrity, we must set priorities. And I am firmly convinced that an adequate, flexible, and soundly-conceived program of foreign economic assistance merits very high priority. Such a program is basic to the security and well-being of our nation. I agree with the views expressed by Secretary of State Rusk last Wednesday describing the urgency and importance of President Kennedy's new program, and I am pleased to appear before you in support of S. 1983.

I would like to confine my remarks today to the financial aspects of the proposed legislation -- aspects for which I, as Secretary of the Treasury and Chairman of the National Advisory Council on International Monetary and Financial Problems, have a special responsibility. At my request the National Advisory Council has reviewed and approved those aspects of the proposed Act for International Development which relate to international financial policy.

The program the President has submitted to Congress is one that the United States can afford. Including the essential increases requested by President Kennedy in his special message on urgent national needs a total of $2,878 million is being requested in fiscal 1962 for the Act for International Development. This amount includes authorization to reuse some $287 million which is what we currently expect to receive from dollar repayments of previous foreign loans. It also includes authority to borrow $900 million from the Treasury for development loans. In addition, the military assistance request for 1962 amounts to $1,885 million. This makes up an over-all total program of $4,763 million which amounts to less than one percent of our gross national product, a figure that is certainly well within the capacity of our domestic economy.

The proposed bill also requests authority to borrow from the Treasury $1.6 billion for each of the following four years as well as continued authority to reuse the dollars from repayments on earlier foreign loans. These repayments are expected to average about $300 million annually during these four years.

The expenditure estimates for fiscal year 1962 under the proposed program are approximately the same as those contained in the budget presented to the Congress by President Eisenhower. The increased expenditures to be expected over the years following 1962 will, of course, be taken into account in the presentation of the budgets for those years.

As Secretary of the Treasury, I am especially interested in the relationship of foreign assistance to our balance of payments. The program proposed is consistent with our efforts to achieve and sustain over-all balance in our international payments. I wish to emphasize that it is the form in which aid is extended, rather than the amount to be provided, which is most relevant to this question. We will continue under the new program to place primary emphasis on the purchase of United States goods and services by aid recipients. The preponderant part of foreign aid expenditures will be spent in the United States. Such expenditures, which are accompanied by American exports, have no adverse impact on our balance of payments. In 1960 American exports financed by aid programs accounted for nearly half of our total export surplus. The fact that foreign assistance is in any case largely accompanied by an outflow of American exports is not understood by those who hope to cure our payments deficit by curtailing foreign economic assistance. Nevertheless, for such time as our payments situation requires, our objective will be to assure that at least eighty percent of our foreign economic assistance will be spent on United States goods and services. Because of earlier commitments this goal cannot be achieved immediately but the new policy will have an increasingly favorable effect on our payments position.

Under the present policy, it is not in every case practicable or desirable to require that foreign assistance funds be limited exclusively to the procurement of United States goods and services. In some cases, particular commodities financed by aid dollars are not available in the United States, or may not be available here in the time required. Also, emergency situations sometimes require the transfer of aid through cash grants, a part of which is ultimately spent for the goods of other countries. Nevertheless, through our procurement policy we will keep to a minimum any adverse effect of aid spending on our payments situation. I am satisfied that the present directives are adequate to assure this result.

The new economic aid program set forth in the proposed Act for International Development emphasizes long-term authority for financing development lending. The President, in his letter transmitting the draft foreign assistance bill, stated that "Real progress in economic development cannot be achieved by annual, short-term dispensations of aid and uncertainty as to future intentions".

I am convinced from my earlier experience in the Department of State that long-term financing authority is an essential tool for the achievement of our foreign policy objectives. I am equally convinced as Secretary of the Treasury that this is the most efficient and least costly method of providing development assistance.

Adequate authority for long-term financing as proposed in the bill will permit both orderly development and effective execution of development lending programs by the administrator of the aid program. Without such authority there will continue to be insistent pressures for stop-gap financing to meet crises which could have been prevented, at less cost, by adequate long-range programs.

In my judgment, the inability of the Executive to make long-term commitments has diminished the effectiveness and increased the cost of the foreign aid program. Without adequate assurance of financing for long-term programs to deal with the basic needs of a developing country, there is less incentive for such a country to thoroughly organize its plans or to adopt appropriate measures of self-help. We urge the developing countries to undertake basic and difficult reforms that are essential to development. But such reforms take years to implement, and require the support of long-term development programs. Reasonable assurance of outside assistance extending over a period of years may often mean the difference between success or failure in the efforts of a developing country to carry out the measures requisite to effective development. Legislative authority to make multi-year commitments will for the first time put the United States in a position to effectively stimulate and cooperate in basic reforms. It will also provide an incentive to other industrialized countries to join with the United States in providing aid to developing areas.

Because an effective long-term foreign lending program requires an assured and adequate source of funds for solid multi-year commitments, the President has requested that development loans be financed by borrowing from the Treasury. For this purpose, the proposed bill provides for authority to borrow from the Treasury $900 million in fiscal year 1962 and $1.6 billion in each of the succeeding four years. This method would be used only for development loans and specific ceilings would be established limiting the amount of borrowing authority to be exercised annually. All loan transactions making use of this authority would be in dollars and all repayments would be in dollars. Grants or other forms of assistance connected with the foreign aid program would continue to be financed by annual appropriations.

It is a common practice to finance lending operations of United States agencies through loans and advances from the Treasury. The Treasury uses this method to finance the programs of more than twenty agencies, in accordance with the statutes governing the activities of the particular agency. A list of examples of legislative authorizations currently in effect, for financing governmental activities through the borrowing method has been submitted for the information of the Committee.

This fiscal arrangement need not, and will not, mean any loss of legislative control over expenditures. The funds will be available only for the purposes and in the annual amounts approved by the Congress. Under the proposed legislation, specific Congressional control over the lending program would be exercised in each year of the five-year period in a number of ways:

First, the law would determine the availability of the funds year-by-year.

Second, quarterly reports on lending operations would be submitted to the Congress.

Third, an annual presentation would be made to the authorizing Committees of the Congress covering all development lending operations.

Fourth, an annual presentation would be made to the Appropriations Committees of the Congress in accordance with the provisions of the Government Corporations Control Act. Under this Act the aid agency would be required to submit to the appropriations committees an annual budget setting forth its proposed lending operations for the coming year and to obtain from Congress authority to expend funds in accordance with this budget.

Finally, the amounts to be borrowed under the proposed legislation would be included each year in the budget as new obligational authority in the same manner as other appropriations. Similarly, expenditures would appear in the regular expenditures budget. As far as the budget is concerned there is not the slightest difference between this method of funding and the appropriation process heretofore used for this program.

I would like to make a further point in connection with the use of borrowing authority. This is that borrowing from the Treasury under the Act for International Development would not mean that the Treasury would be forced into any additional borrowing from the public. To put it another way, the extent to which the Treasury may have to increase the public debt, or alternatively rely upon tax or other income is exactly the same whether foreign development lending is financed by the borrowing method or by funds otherwise appropriated. The requirements of this and all other programs, foreign and domestic, determine the amount of over-all expenditure which must be met by the receipts of the Treasury.

The financing of development loans by borrowing authority was recommended by President Eisenhower in 1957 at the inception of the Development Loan Fund and approved at that time by this Committee and and the Senate. As you know, the Development Loan Fund is authorized to make loans repayable in local currency -- that is, repayable in the currency of the borrower rather than in dollars. As a result of experience, it has been found desirable to change this policy. It is now proposed that all development loans under the new program be repaid exclusively in dollars.

An important reason for this change is that the United States is rapidly acquiring large accruals of local currencies from various programs, most importantly from the sale of agricultural surpluses under Public Law 480. There is danger that continued large accruals of local currency by the United States Government could become a source of friction and misunderstanding in our future relations with the countries whose currencies we are accumulating. This danger would be particularly acute if the United States Government were to acquire a large proportion of the outstanding money supply in a foreign country. The accumulation of large, and in many cases excessive or unusuable amounts of local currency, provides no advantage to the United States whereas repayment in dollars, even over a long period of time, would provide a definite return.

The President has also requested authority to make available for development lending, the dollars to be realized from repayments of earlier foreign obligations. This request is confined to outstanding obligations in which the United States has the option to require dollar repayments. The amounts, will approximate $300 million a year for the next five years. This is a reasonable extension of the revolving fund principle that has been used in many other lending programs. It would, in brief, put the returns from our earlier aid programs to the industrialized countries to work in our new program to help the developing countries.

The primary purpose of the development lending provisions of the Act for International Development is to assist the developing countries in carrying out long-range development programs. Loan funds are intended to support those activities which make the most effective contribution to economic growth. Loans may, for example, be directed to specific projects. They may also be used to provide broad support for a national development program. They may also be used to help in establishing general financial and economic conditions essential to steady growth in the future. All three kinds of lending operations are essential if the needs of the developing countries are to be met.

During the past few years the United States has come to recognize the need of the developing countries for loans on terms more favorable to the borrower than can be provided under conventional banking practices. Under the proposed legislation this need will continue to be met, even though dollar repayment is to be required. Dollar repayment should be possible as the developing country increases its ability to mobilize domestic resources and to enlarge its exports and foreign exchange earnings. But these self-help efforts of the developing countries will take time to bear fruit. Meanwhile, it is necessary to avoid excessive debt burdens on the budget or the balance of payments of the developing country. Repayment over a long term with substantial grace periods would allow the major burden of repayment to come after self-sustaining growth has commenced. Elimination or drastic reduction of the interest burden on loans should also considerably ease the annual and over-all debt service burden of the loan.

It is for these reasons that development loans under the proposed program are intended to be on terms much less onerous than conventional banking terms. Periods of repayment may extend up to fifty years. Grace periods, in which no repayment of principal is required, may be granted up to ten years. Rates of interest could be low or non-existent, although a small service charge might be made. In short, loan terms would take into account the prospective situation of the borrower. Flexibility would permit loans to private borrowers on appropriate terms. Thus, while the objective of lending operations will be to improve the ability of the borrowing country to service its debts through progress in development, the burden of debt service will not be such as to impede that progress. These terms and conditions which are along the lines being worked out by the International Development Association should enable the United States to offer to the developing countries loan terms as favorable as those offered by any other country in the world. It is significant that the International Development Association reached this decision after long and thorough international discussion under the leadership of its distinguished President Mr. Eugene Black.

The development lending operations of the new aid agency will necessarily be related to the activities of other lending institutions - national and international. As the United States Governor of the major international financial institutions, I have responsibility for assuring that the national lending activities of the United States are properly coordinated with the activities of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, and the Inter-American Development Bank. Coordination with the international institutions and with the Export-Import Bank will also be effected through the National Advisory Council, through the United States Executive Directors of the international institutions and through informal day-to-day contacts. In addition, the proposed legislation provides for a Development Loan Committee, similar to the present Development Loan Fund Board, to establish standards and criteria for the lending operations of the new aid agency in accordance with the foreign and financial policies of the United States. The Treasury Department and the Export-Import Bank will be represented on this inter-agency committee.

Through proper coordination we can ensure that the new lending program will complement, rather than compete with, other established lending institutions, domestic or international as well as the flow of private funds available for international investment.

We will also continue to work with the other industrialized nations of the Free World to encourage increased participation by them in providing economic assistance to the developing countries. This is the major objective of the Development Assistance Group which will soon be incorporated in the new Organization for Economic Cooperation and Development. The functions of the Development Assistance Group and the Organization for Economic Cooperation and Development in this field will be discussed in detail by Under Secretary Ball.

In addition to the work of the Development Assistance Group in urging the mobilization of resources of the industrialized countries for the purpose of helping the developing countries, there has been very substantial progress in coordinating and enlarging Free World assistance to particular countries. The International Bank for Reconstruction and Development has pioneered in this effort by enlisting the cooperation of a number of industrialized countries in expanding help to India and Pakistan. You are familar with the Bank's role in the Indus Waters project and the financial participation by a number of its members in this important undertaking. The Bank has also played an important role in stimulating and coordinating efforts by the economically advanced countries to assist India's economic development by convening consortium meetings on several occasions in the past. Only last week it led a meeting of capital-exporting countries prepared to help in financing India's third Five-Year Plan.

Participating countries other than the United States indicated their willingness to provide $780 million over the next two years. This amount, together with $400 million from the World Bank and the International Development Association, and $1 billion from the United States, which is subject to Congressional action on the pending legislation, should enable India to proceed in an orderly manner to a successful launching of its Third Plan. A similar meeting under the auspices of the World Bank is being held this week to consider aid to Pakistan.

If the United States and the other industrialized countries of the Free World fully cooperate in providing assistance to the developing areas -- based upon the self-help efforts of the developing countries themselves -- we can look forward to a decade of progress and development for the hundreds of millions of people in other lands economically less fortunate than our own. Their economic progress is to no small degree dependent on us. Our own future importantly depends on them. The bill before you is essential to meet the need.

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job ahead of you.

Your four years here have been a long, hard voyage, but you have weathered it successfully. In a few minutes, you will raise your right hands to take the traditional oath as commissioned officers of the United States Coast Guard. I am confident that you will measure up to the best traditions of the hosts of brave men who have preceded you in the service. I have equal confidence that you will acquit yourselves with such distinction that succeeding generations of Coast Guard officers will say "Well Done". To all of you, I extend my warmest congratulations. May you all have long, happy, and successful careers in the service of country and humanity

oOo

fact that the Coast Guard has been entrusted with this heavy international responsibility is another "example of the high regard in which the Coast Guard is held by other nations.

In viewing the Coast Guard as part of the world picture, I do not intend in any way to minimize such important functions as maritime law enforcement, port security, or the ~~the equally important function of~~ OF safeguarding individual citizens through the small boat safety program. Indeed, as an amateur sailor myself along our ~~the~~ ~~North East~~ ~~Atlantic~~ New England Coast, I have first hand knowledge of the invaluable service rendered by the Coast Guard to the growing number of Americans who are taking to the water in pleasure craft.

Gentlemen, as you enter upon duty as officers, I think it important for you to bear in mind that whether you serve on our inland waterways or in the antarctic, you have a tough, but rewarding

job ahead

LEAVE ROOM FOR FIGURE

fact that the Coast Guard's services are available to all ships and persons in peril on the sea, without regard to nationality.

As Coast Guard officers you will have the opportunity to participate in the International Ice Patrol. This outstandingly successful venture in international collaboration was born in 1914, following the tragic sinking of the luxury liner "Titanic".

Ever since that sad event which cost 1,513 lives, the Coast Guard has been keeping watch over the ice-infested shipping lanes of the North Atlantic.

The Coast Guard is charged with the responsibility for operating the Patrol. The cost of its upkeep is presently shared by 16 [redacted] ~~of~~ contributing governments~~, including Canada, the United Kingdom, France, Italy, Greece, Netherlands, Belgium, Norway, Sweden, and Denmark. The Patrol has been in continuous operation for nearly fifty years, except for intervals during World Wars I and II.~~ The

fact that

aids to navigation, Loran, merchant marine inspection, rescue coordination, and training in the operation of the UF-2 aircraft. This type of inter-governmental cooperation by the Coast Guard is a valuable contribution to maritime safety and the security of the free world. Undoubtedly, some of you will participate in this program, which is becoming increasingly important. From my own experience in international relations, I can assure you that it will be one of the most satisfying experiences of your lifetime.

The humanitarian side of the Coast Guard's work was dramatically brought to the world's attention in 1959, when the Coast Guard cutter "Storis" was dispatched to evacuate an injured seaman from the Soviet refrigerator ship "Pischavaya Industriya" 149 miles from Dutch Harbor, Alaska. After picking up an interpreter and doctor, a Coast Guard plane flew the seaman to the nearby Elmendorf Air Force Base hospital. This incident, one of many, underscores the

fact that

One of the most important international aspects of the Coast Guard's work is its program of providing counsel and instruction to help solve the problems of a growing number of other nations. It has aided in establishing organizations similar in purpose and scope to your own service. It has given officials of other governments an opportunity to study at Coast Guard schools, training stations, and installations since the end of World War II. The Coast Guard has been going about this work quietly and competently. Among the many foreign governments which have received assistance from the Coast Guard during the past year alone are Argentina, Brazil, Ceylon, The Republic of China, Denmark, El Salvador, Ethiopia, France, Greece, Haiti, Honduras, Indonesia, Iraq, Iran, Japan, Lebanon, Pakistan, Peru, ~~Taiwan~~, Tunisia, Turkey and Viet Nam.

The training program covers a wide variety of subjects, including helicopter rescue techniques, air traffic control, port secur

gunnery,

Another recent milestone in international collaboration was the Sixth International Technical Conference on Lighthouses and Other Aids to Navigation held last fall in Washington, D. C., under the auspices of the Coast Guard. Forty nations took part in this conference~~, including the United Kingdom, France, Argentina, the Soviet Union, Poland, the United Arab Republic, Japan, Nationalist China, and the Republic of Korea. Such meetings such as these are of continuing value, for they permit an exchange of views and techniques designed to reduce hazards to navigation.~~

I cite these conferences to indicate the wide sphere of activity embraced by your service, and to illustrate the kind of duty that may lie ahead of you at the international conference table as you 8 become senior officers. The significance of these conferences goes far beyond purely technical considerations. They are an important part of our continuing national effort to achieve greater understanding and collaboration with all nations.

One of the

contribute much to strengthening your country's international relations.

What are some of the opportunities that await you?

One example is the Coast Guard's constant effort to advance standards of maritime safety throughout the world. Last June, largely as a result of the tragic loss of the "Andrea Doria", an International Conference for the Safety of Life at Sea was held in London under the auspices of the United Nations. At that conference, which was attended by some five hundred officials of more than fifty nations, the Coast Guard represented American shipping interests. During the extended negotiations, the United States delegation, headed by your Commandant, Admiral Alfred C. Richmond, conducted itself with a professional competence that won universal respect and wide support for many United States proposals which pointed the way toward greater safety at sea.

must also appeal to the minds and hearts of men. We must convince them that our free way of life offers a better future for themselves and for their children than the authoritarian system. Our very future as a nation depends in large measure upon your response to this challenge.

You young men will participate in a world-wide effort to achieve greater understanding between nations and their diverse peoples. We of the Treasury are proud of the part your service is playing. The Coast Guard is uniquely qualified to meet the complex needs of our times because it is both a military service and a humanitarian agency. All of its resources are at the disposal of those who need them, without regard to nationality.

As officers of the Coast Guard you will be members of a service which enjoys high prestige in many parts of the world. Your duties often will bring you into contact with men of many nations in a working partnership. It is on this personal level that you can

contribute

of our free society are nevertheless under continuing assault by an alien ideology. This assault upon our free way of life is being waged on all levels: political, economic, psychological -- and in some areas, even on the para-military level.

Since the end of World War II, there has been a great awakening among the under privileged peoples of the world. This huge surge of human aspiration is a force of inexorable power. Over and over it has been proved that "men do not live by bread along". They also yearn for the dignity and self respect of free men, and they look to us and to other advanced free nations for assistance in realizing their mounting expectations.

You are, therefore, entering upon your duties as officers of the Coast Guard at a time when the world demands more of our country and our country demands more of you = than ever before. These demands are spiritual as well as material. It is not enough merely to be militarily and economically strong. To win this struggle we

must also

are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty (3) and the pursuit of Happiness." Note carefully that they did not say that these rights are ours simply by virtue of inheritance. They are rights which have to be defended constantly and reasserted by each generation.

A great truth, to be borne constantly in mind is that ~~the gifts~~ these rights ~~of freedom and democracy~~ cannot and must not be taken for granted. Each generation must struggle anew to maintain ~~these blessings~~ them. The struggle takes ~~a~~ different forms ~~for each generation~~. The young men of my time had to meet that challenge in the arena of war. It was our deepest hope that out of our ordeal would be born a lasting peace among all nations. Unfortunately our hopes have not materialized. We still live in a world beset by tension and anxiety.

If by peace we mean simply the absence of large-scale military operations, then the world is technically still at peace. But all the values of our commercial affairs.

Leadership is a big word. It will be up to you to give it meaning. Your responsibilities and your opportunities will be greater than those experienced by your predecessors. For your country, which stands before the world as an example of what a free, creative people can do when given full opportunity for self-expression, is challenged today as never before in its history.

We have indeed been fortunate. A kind Providence has blessed us with a fair and fertile land, rich with an abundance of natural gifts and a hard-working, intelligent citizenry. And we have fared well, I think, because there has always been in our people a recognition that there is a Supreme Power not subject to human limitations.

But all our talents and resources will mean nothing unless we bring them to bear as a united people to meet the problems ~~that will~~ confront us in the months and the years that lie ahead. Our Founding Fathers understood the situation very well when they wrote 185 years ago: "All men ~~are~~ endowed

[illegible]

career of service to country and humanity. The path you will follow (2) will not be easy, but the fine training you have received here at the Coast Guard Academy will stand you in good stead in ~~the~~ years to come.

You have made an excellent beginning in your professional careers. But commencements, by definition, are primarily beginnings and do not represent final achievement. When you leave this campus today, you will set out on a new and exciting career in one of our oldest and most versatile armed forces -- a career which offers unparallelled opportunities for service, not only as Coast Guard officers, but also as official representatives of the United States. For, by accepting a commission in the Coast Guard, you will accept the responsibilities of leadership in a profession that will bring you into contact with a world-wide variety of naval, maritime, and

commercial affairs

CLOSE

For Release: AM Newspapers ~~June 2, 1961~~

June

MORE SPACE

ADDRESS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE
75TH COMMENCEMENT EXERCISES OF THE
UNITED STATES COAST GUARD ACADEMY
WEDNESDAY, JUNE 7, 1961, 11:00 A.M., EDT

Admiral Evans, members of the Class of 1961, distinguished guests, ladies and gentlemen:

This is my first visit to the Coast Guard Academy as Secretary of the Treasury. I am honored to participate in this 75th Commencement and to address the Class of 1961. In a short time you will step up to this platform to receive your Bachelor of Science diplomas and your commissions as ensigns in the Coast Guard. It is a moment that will climax four arduous years of work and study -- one you will never forget. You have every reason for pride and satisfaction. But while this day is primarily yours, it also belongs to the country you will serve ~~during~~ ~~in the years ahead.~~

Gentlemen, you are to be congratulated for having chosen a

career of

TREASURY DEPARTMENT
Washington

June 6, 1961

For Release: P.M. Newspapers,
June 7, 1961

ADDRESS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE
75TH COMMENCEMENT EXERCISES OF THE
UNITED STATES COAST GUARD ACADEMY,
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But all our talents and resources will mean nothing unless we bring them to bear as a united people to meet the problems confronting us in the months and the years that lie ahead. Our Founding Fathers understood the situation very well when they wrote 185 years ago: "All men are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty and the pursuit of Happiness."

A great truth, to be borne constantly in mind, is that these rights cannot and must not be taken for granted. Each generation must struggle anew to maintain them. This struggle takes different forms. The young men of my time had to meet that challenge in the arena of war. It was our deepest hope that out of our ordeal would be born a lasting peace among all nations. Unfortunately, our hopes have not materialized. We still live in a world beset by tension and anxiety.

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Since the end of World War II, there has been a great awakening among the underprivileged peoples of the world. This huge surge of human aspiration is a force of inexorable power. Over and over it has been proved that "men do not live by bread alone". They also yearn for the dignity and self respect of free men, and they look to us and to other advanced free nations for assistance in realizing their mounting expectations.

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I cite these conferences to indicate the wide sphere of activity embraced by your service, and to illustrate the kind of duty that may lie ahead of you at the international conference table as you become senior officers. The significance of these conferences goes far beyond purely technical considerations. They are an important part of our continuing national effort to achieve greater understanding and collaboration with all nations.

One of the most important international aspects of the Coast Guard's work is its program of providing counsel and instruction to help solve the problems of a growing number of other nations. It has aided in establishing organizations similar in purpose and scope to your own service. It has given officials of other governments an opportunity to study at Coast Guard schools, training stations, and installations since the end of World War II. The Coast Guard has been going about this work quietly and competently. Among the many foreign governments which have received assistance from the Coast Guard during the past year alone are Argentina, Brazil, Ceylon, The Republic of China, Denmark, El Salvador, Ethiopa, France, Greece, Haiti, Honduras, Indonesia, Iraq, Iran, Japan, Lebanon, Pakistan, Peru Tunisia, Turkey and Viet Nam.

The training program covers a wide variety of subjects, including helicopter rescue techniques, air traffic control, port security, aids to navigation, Loran, merchant marine inspection, rescue coordination, and training in the operation of the UF-2 aircraft. This type of inter-governmental cooperation by the Coast Guard is a valuable contribution to maritime safety and the security of the free world. Undoubtedly, some of you will participate in this program, which is becoming increasingly important. From my own experience in international relations, I can assure you that it will be one of the most satisfying experiences of your lifetime.

The humanitarian side of the Coast Guard's work was dramatically brought to the world's attention in 1959, when the Coast Guard cutter "Storis" was dispatched to evacuate an injured seaman from the Soviet refrigerator ship "Pischavaya Industriya" 149 miles from Dutch Harbor, Alaska. After picking up an interpreter and doctor, a Coast Guard plane flew the seaman to the nearby Elmendorf Air Force Base hospital. This incident, one of many, underscores the fact that the Coast Guard's services are available to all ships and persons in peril on the sea, without regard to nationality.

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Ever since that sad event which cost 1,513 lives, the Coast Guard has been keeping watch over the ice-infested shipping lanes of the North Atlantic.

The Coast Guard is charged with the responsibility for operating the Patrol. The cost of its upkeep is presently shared by 16 contributing governments. The fact that the Coast Guard has been entrusted with this heavy international responsibility is another example of the high regard in which the Coast Guard is held by other nations.

In viewing the Coast Guard as part of the world picture, I do not intend in any way to minimize such important functions as maritime law enforcement, port security, or the safeguarding of individual citizens through the small boat safety program. Indeed, as an amateur sailor myself along our New England Coast, I have first hand knowledge of the invaluable service rendered by the Coast Guard to the growing number of Americans who are taking to the water in pleasure craft.

Gentlemen, as you enter upon duty as officers, I think it important for you to bear in mind that whether you serve on our inland waterways or in the Antarctic, you have a tough, but rewarding job ahead of you.

Your four years here have been a long, hard voyage, but you have weathered it successfully. In a few minutes, you will raise your right hands to take the traditional oath as commissioned officers of the United States Coast Guard. I am confident that you will measure up to the best traditions of the hosts of brave men who have preceded you in the service. I have equal confidence that you will acquit yourselves with such distinction that succeeding generations of Coast Guard officers will say "Well Done". To all of you, I extend my warmest congratulations. May you all have long happy, and successful careers in the service of country and humanity.

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June 5, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, June 6, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 9, 1961, and the other series to be dated June 8, 1961, which were offered on May 31, were opened at the Federal Reserve Banks on June 5. 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 7, 1961		182-day Treasury bills maturing December 7, 1961	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.369 a/	2.496%	98.636 b/	2.698%
Low	99.361	2.528%	98.616	2.738%
Average	99.364	2.516% 1/	98.621	2.727% 1/

a/ Excepting two tenders totaling $350,000; b/ Excepting one tender of $200,000
39 percent of the amount of 91-day bills bid for at the low price was accepted
79 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	$ 23,891,000	$ 12,891,000	$ 2,889,000	$ 2,650,000
New York	1,655,702,000	798,159,000	799,686,000	383,830,000
Philadelphia	28,510,000	13,099,000	5,954,000	954,000
Cleveland	31,908,000	25,083,000	20,714,000	7,863,000
Richmond	8,598,000	8,171,000	1,749,000	1,749,000
Atlanta	17,486,000	15,386,000	4,826,000	2,340,000
Chicago	233,569,000	142,731,000	69,857,000	27,101,000
St. Louis	24,445,000	17,547,000	17,678,000	17,078,000
Minneapolis	19,038,000	8,983,000	5,942,000	3,342,000
Kansas City	23,281,000	19,851,000	7,482,000	7,312,000
Dallas	12,967,000	12,667,000	4,926,000	3,276,000
San Francisco	58,011,000	25,841,000	56,601,000	42,859,000
TOTALS	$2,137,406,000	$1,100,409,000 c/	$998,304,000	$500,354,000 d/

c/ Includes $200,088,000 noncompetitive tenders accepted at the average price of 99.364
d/ Includes $44,016,000 noncompetitive tenders accepted at the average price of 98.621
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.57%, for the 91-day bills, and 2.80%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 5, 1961

OR RELEASE A. M. NEWSPAPERS, Tuesday, June 6, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated March 9, 1961, nd the other series to be dated June 8, 1961, which were offered on May 31, were opened t the Federal Reserve Banks on June 5. Tenders were invited for $1,100,000,000, or hereabouts, of 91-day bills and for $500,000,000, or thereabouts, of 182-day bills. he details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing September 7, 1961		:	182-day Treasury bills maturing December 7, 1961	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.369 a/	2.496%	:	98.636 b/	2.698%
Low	99.361	2.528%	:	98.616	2.738%
Average	99.364	2.516% 1/	:	98.621	2.727% 1/

a/ Excepting two tenders totaling $350,000; b/ Excepting one tender of $200,000
39 percent of the amount of 91-day bills bid for at the low price was accepted
79 percent of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 23,891,000	$ 12,891,000	:	$ 2,889,000	$ 2,650,000
New York	1,655,702,000	798,159,000	:	799,686,000	383,830,000
Philadelphia	28,510,000	13,099,000	:	5,954,000	954,000
Cleveland	31,908,000	25,083,000	:	20,714,000	7,863,000
Richmond	8,598,000	8,171,000	:	1,749,000	1,749,000
Atlanta	17,486,000	15,386,000	:	4,826,000	2,340,000
Chicago	233,569,000	142,731,000	:	69,857,000	27,101,000
St. Louis	24,445,000	17,547,000	:	17,678,000	17,078,000
Minneapolis	19,038,000	8,983,000	:	5,942,000	3,342,000
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TOTALS	$2,137,406,000	$1,100,409,000 c/		$998,304,000	$500,354,000 d/

Includes $200,088,000 noncompetitive tenders accepted at the average price of 99.364
Includes $44,016,000 noncompetitive tenders accepted at the average price of 98.621
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.57%, for the 91-day bills, and 2.80%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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$2,500 ~~billion~~ five
~~two thousand seven hundred thirty-two~~ million ~~dollars~~ by which the House Bill falls short of the President's proposals.

Alternatively, the President recommended an increase of 1/2 cent in the tax on gasoline over the existing level of ~~four~~ 4 cents per gallon. But this is a second choice, since the study by the Bureau of Public Roads clearly indicated that the general bulk of highway users were paying their fair share of Federal highway expenditures, and the President's preference is for financing methods which more adequately reflect the cost factors attributable to heavier trucks.

In conclusion, let me repeat that H.R. 6713, as passed by the House, goes far to meet the objective of financing the Federal highway system in a reasonable fashion. However, we believe that additional revenues from present Trust Fund revenue sources are needed to accord with the President's program. Provision of these additional revenues would enableus to keep our Federal highway program moving steadily ahead on a pay-as-you-go basis without unfair burdens ~~in~~ on or diversion from the general fund which ~~adding to a Federal deficit.~~ ~~would~~ in the fiscal year 1962 at least would add to an already ~~existing deficit~~ predicted deficit.

Bill and the President's recommendations with respect to the Trust Fund financing over its life, including the proposed three months' extension. The House Bill counts on revenues of $2.3 billion from sources which we believe are either objectionable or overestimated, and it fails to allow for about $400 ~~four hundred~~ million ~~dollars~~ of proper Trust Fund expenses, a total difference of over $2,700 ~~almost two billion eight hundred~~ million ~~dollars~~.

Item	Amount (in millions)
1. Overstatement of revenues - total	$2,320
a. Diversion of revenues from mfrs. tax on trucks and buses	1,771
b. Retention of aviation gas receipts	161
c. Excess of truck use tax revenue estimate	388
2. Understatement of expenses Forest and public land highways	397 ~~412~~
3. Grand total	$ 2,732

I urge your favorable consideration of the President's recommendations for increases in the taxes on diesel fuel, tread rubber, and truck use to obtain the needed additional revenues of

We also have misgivings about the provision in H. R. 6713 for instalment payment of the truck use tax in place of the existing requirement of a single annual payment. It has been argued that full payment at the time of initial liability places a financial burden on truckers. However, theFederal truck use tax is no different in this respect than the registration taxes in practically all the States

An instalment payment system for the truck use tax would increase the work of the Internal Revenue Service since it would require maintaining accounts and sending bills to taxpayers after the first payment. The Internal Revenue Service is presently faced with a tremendous volume of paperwork, and we would hope to avoid additional work which does not add to the effectiveness of the tax system.

The Department has no objection to the provision in the Bill for the tax-free sale of gasoline for use as a material in the manufacture of another article.

The following table summarizes the differences between the House amounts due under the tax and, second, that the Regulations will be revised to provide for a tax classification system resulting in a higher over-all tax than at present. The Treasury Department is reviewing its methods of enforcing this tax and is confident that greater effectiveness can be achieved. In fact, collection increases in the last several fiscal years indicate that considerable improvement already has been made. However, the Department believes it is unrealistic in making estimates for fiscal year 1962 and after to assume there will be immediate and complete compliance by every taxpayer. Similarly, we see no justification for assuming that the present truck classifications in the Regulations are erroneous or that any readjustment of that classification is warranted which would result in substantially increased revenues. These two factors, however, have been counted on by the House to add nearly $400 million -- or more than twenty percent of their estimate of the revenues from this tax during the remaining life of the Trust Fund.

clearly supports the raising of additional revenue from trucks. The increase in the truck use tax is necessary to provide the additional increment of tax on heavy trucks which cannot be accurately provided by generalized taxes. To leave the tax rate on diesel fuel at the same level as the gasoline tax will result in diesel vehicles paying less tax per mile of highway use than gasoline-powered vehicles.

H.R. 6713 also fails to discontinue the transfer to the Highway Trust Fund of revenues from the tax on aviation gasoline. This proposed change is part of the President's program for implementation of a user charge system for Federal airways.

~~On the other hand,~~ The bill makes no provision for financing forest and public land highways from the Highway Trust Fund revenues, which is the logical and appropriate arrangement for paying for these roads.

Let me also note that the Treasury Department does not agree with the estimated revenues for the truck use tax set forth in the Ways and MeansCommittee report on H. R. 6713. Those estimates assume: first, that the Treasury Department will collect 100 percent of the additional revenues from heavy trucks -- namely, the tax on tread rubber, the truck use tax, and the tax on diesel fuel. Under theBill the first two of these taxes would be raised somewhat, but there would be no increase in the current rate of tax on diesel fuel ~~tax, diesel~~. Overthe life of the program, the bill would raise $2,500 ~~two billion five hundred~~ million ~~dollars~~ less from these three sources than the President proposed.

Not The following table details the differences in rates:

	Tax Base	Present Rate	Rate as of July 1 under present law	Rate proposed by President	H.R. 6713
Diesel fuel	~~Cents per~~ gallon	4¢	3¢	7¢	4¢
Trucks ~~&~~ and buses over 26,000 lbs.	1,000 lbs. of gross weight	$1.50	$1.50	$5.00	$3.00
Highway tires ~~Tires for highway vehicles~~	~~Cents per~~ pound	8¢	8¢	10¢	10¢
Inner tubes	~~Cents per~~ pound	9¢	9¢	10¢	10¢
Tread rubber	~~Cents per~~ pound	3¢	3¢	10¢	5¢

The increases proposed by the President would provide a more adequate and reasonable allocation of the costs of Federal highway aid while removing undue burdens from the general fund. ¶ The study made by the Bureau of Public Roads at the direction of theCongress assigned to revenue sources other than taxes on motor-vehicle users.

The President in his Highway Message pointed out, however, that the study did not support further diversions from the general fund. The statement presented on behalf of the Bureau of the Budget will deal with this matter more thoroughly.

Aside from the interpretation of the study, we should remember that considerable revenues previously used for general Government purposes were diverted to the Highway Trust Fund at its inception~~, so that the eight percent figure had already been revised.~~

The diversion under the House Bill is, in effect, an indirect method of breaching the requirement of section 209(g) of the 1956 Act that expenditures should be limited to funds estimated to be available to the Highway Trust Fund. If additional revenue needs of the Fund are to be met through diversion from the general fund, then it seems to me that section 209(g) has no real force.

The differences in revenue sources proposed by the House Bill and by the President involve the components which are designed to rai

President's revenue proposals are about $1 billion short of presently estimated needs for a June 30, 1972, cut-off date. The correction of this short-fall of about 2 percent over the life of the Fund could have been considered in future years since the Fund has over a decade to go. However, the decision of the House to make a compensating adjustment in the program at this time is reasonable and helpful.

H. R. 6713 deviates in one major respect from the principle of paying the Federal highway aid from the motor vehicle taxes set aside in 1956 for that purpose. Under the House Bill, the half of the receipts from the 10 percent excise tax on manufacturers sales of trucks now retained in the general fund would be transferred to the Highway Trust Fund beginning in fiscal 1962. This diversion would total $1.8 billion over the life of the program. An argument for this proposed diversion has been asserted on the basis of the highway cost allocation study of the Bureau of Public Roads (see House Report No. 326, page 15). This study suggested that 8 percent of the program's costs should be and public land highways, and the increase in funds for the ABC system.

The Proposals in H. R. 6713

H. R. 6713, which has been referred to your Committee, would repeal the scheduled 1962-64 diversion from the general fund with respect to the taxes on passenger automobiles and parts and accessories, as proposed by the President. It would retain the tax on gasoline at four cents a gallon as proposed by the President. The taxes on tires and tubes would be increased as proposed by the President. But, lesser increases than those recommended by the President would be made in the taxes on diesel fuel, tread rubber, and the truck weight tax. Finally, the Highway Trust Fund and the taxes allocated thereto would be continued for three months beyond the now scheduled June 30, 1972 completion date. The effect of these increased rates and the time-extension are shown in Tables 6 and 7.

The extension of the life of the Trust Fund is appropriate. The and the incentive bonus should be increased from ~~1/2 half~~ to ___ per cent of the Federal share of the cost of construction.

highway financing. This change would add about $400 million to Trust Fund expenditures ~~Trust Fund expenditures~~ over the rest of the Fund's life.

3. Funds for the ABC system of primary, secondary, and urban roads should be gradually increased from the fixed annual level of $925 million to $1 billion by increasing authorizations $25 million per year in 1964, 1966, and 1968. This would add about $400 million to Trust Fund expenditures.

4. The Federal highway law should be amended to provide aid in finding reasonable housing at reasonable costs for those displaced from their homes by future Federal-aid highway projects. No cost estimate is placed on this proposal as it largely involves administrative costs.

5. ~~With respect to control of advertising~~ the present law should be amended to give the States additional time within which to take advantage of the incentive bonus program

The status of the Highway Trust Fund under the President's proposals is shown in Table 4. A breakdown of the revenue sources by types of taxes is given in Table 5. These tables reflect the President's proposals with respect to aviation gasoline, forest

The President also proposed strengthening the program designed to limit billboard advertising along the Interstate System. In this area

should be increased [illegible]
of the Federal
cost of constr. 67 mil

These additional tax costs will be reflected in the industry's costs and rates.

The President made ~~five~~ four other suggestions which have an impact on the Highway Trust Fund:

1. Receipts from aviation gasoline ($22 million for fiscal 1962) should be retained in the general fund rather than transferred to the Highway Trust Fund. The hoped for development of an airway user charge program would heighten the inconsistency of using these tax revenues for highway financing. This change would reduce Trust Fund receipts over its remaining life by about $160 million.

2. The financing of forest and public land highways (now about $36 million a year) should be transferred to the Highway Trust Fund. Such roads primarily benefit automotive operators and logically should be paid for from automotive taxes devoted to

The attached Table 3 shows how the Highway Trust Fund is being financed under present law as compared with the taxes proposed by the President.

The President's preferred tax proposal stresses the desirability of greater tax contributions by truckers -- especially those using diesel trucks -- because the highway costs attributable to them are not now fully reflected in Trust Fund taxes paid by them. This will be explained fully with ~~in~~ technical detail ~~by~~ in the stat ~~I~~ ... Bu of Public Ro

I am sure that you will be told that the trucking industry is highly competitive, not very profitable, and cannot "bear" the taxes proposed. ~~But there is no intention or belief that~~ These additional taxes ~~should be imposed~~ are not proposed because the industry can pay them out of profits. A more fundamental public policy question is involved. The trucking industry is a large industry. In fairness to the general taxpaying public and competing modes of transportation, we feel that the industry and its customers should now pay their allocable share of the cost of Federal-aid facilities used by it.

4 1/2 ~~four and a half~~ cents a gallon. President Kennedy stated that this would be clearly acceptable and would have his support.

However, this approach would raise a very large proportion of the additional revenues from the drivers of passenger cars. A fairer allocation of the tax burden among those who use the highways requires a greater contribution from large truck operators.

The President therefore proposed as a preferred alternative to a 4 1/2 ~~four and a half~~ cent rate on motor fuels, the retention of the present rate of 4 ~~four~~ cents a gallon on gasoline, and other tax increases as shown in the following table:

	Tax base	Present rate	Rate as of July 1 under present law	Rate proposed by President
Diesel fuel	gallon	4¢	3¢	7¢
Trucks and buses over 26,000 lbs.	1,000 lbs. of gross weight	\$1.50	\$1.50	\$5.00
Highway tires	pound	8¢	8¢	10¢
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Tread rubber	pound	3¢	3¢	10¢

a pay-as-you-build policy. I think that policy should be continued. Interest costs build no roads.

To permit highway financing to result in, or add to, an imbalance in the budget would be unwise. As the President stated, "This is a decision which, if it is taken at all, should be taken on its merits, in relation to the state of the economy and the budget as a whole, not as an accidental by-product of the highway program."

<u>The President's recommendation</u>

In addition to the funds required if this scheduled diversion is repealed, further funds must also be provided to meet the increased costs of construction. The President had recommended raising all of the needed revenues from increasing excises previously earmarked to support the highway program. The previous Administration had reached the same conclusion and suggested increasing the present 4 ~~four~~ cents a gallon motor fuel taxes to the 1956 decision by providing for the diversion to the Highway Trust Fund for 1962-64 of part of the revenuey from the excise taxes on passenger automobiles and parts and accessories. President Kennedy -- as President Eisenhower before him -- has requested that this diversion from the general fund not be permitted to occur. They both have thus supported the decision made by the Congress in 1956 in limiting ~~that~~ such resort to the general fund. Use for highway purposes of funds not now dedicated to such use would merely shore up the highway program at the expense of the general budget. Equivalent funds would still have to be obtained by higher taxes for the general budget, lower expenditures elsewhere, or more debt financing. As a practical matter, the end result is likely to be more debt financing.

Congress examined a proposal for debt financing for the highway program in 1955. After considering the added interest costs ~~on~~ from the bond program, the Congress rejected this approach and adopted of the changes in the estimated costs of the system beyond the estimates available in 1956. A tabulation of the reasons for the increase is given in Table 2, taken from the report of the House Committee on Public Works on H. R. 6713.

<u>The diversion scheduled for fiscal 1962-64</u>

In considering the needs for additional financing, I wish first to discuss the funds that are now available for fiscal 1962-64 only because of the scheduled diversion from the general fund. The Congress in 1956 decided to finance the expanded highway aid program by allocating receipts from the taxes on motor fuels and certain of the other existing taxes on motor vehicles, by tax rate increases, and by the addition of two new taxes. The 1956 approach to financing highway aid thus involved a definite decision not to use all revenues from automotive items.

Present law, however, contains an undesirable deviation from

A slow-down in the highway program would be highly undesirable. The supplies, machinery, and manpower for highway building are availabl Highway construction is making a positive contribution to employment. The finished construction itself is important to our safety, convenience, and economic growth.

The problem we face is to provide adequate financing to enable the pay-as-you-go program to advance systematically, in line with our needs and physical capabilities. Completion of the Interstate System as scheduled requires more funds -- $9,700 ~~nine billion seven hundred~~ million ~~dollars~~ more than available under the law now on the books, and $12,200 ~~twelve billion two hundred~~ million ~~dollars~~ if the scheduled diversion from the general fund is rescinded. The additional money needed is largely the result

Highway aid involves planning and apportionments to States far in advance of the time the funds are actually spent. Thus, State apportionments will be made this summer for the fiscal year 1963. The authorizations for both fiscal 1963 and 1964 for the Interstate system were set at $2.2 billion. However, the funds available under present law for the Highway Trust Fund will decline with an abrupt drop of about $800 million -- almost ~~more than~~ 25 percent -- in fiscal 1965 (see Table 1). Because of the estimated future shortages of trust fund revenues under present law, it now appears that apportionments to States for fiscal 1963 can only be $2 ~~two~~ billion ~~dollars~~, and for fiscal 1964 and 1965, $1,500 ~~one~~ ~~b~~illion~~, five-hundred million dollars~~ each. Thereafter, revenues would permit apportionments to rise slowly to a maximum of $1.9 ~~one~~ billion~~, nine-hundred million dollars~~ in fiscal 1968 and 1969, compared to estimated requirements in those years of $3 ~~three~~ billion ~~dollars.~~ Moreover, even the reduced level of apportionments for fiscal years 1964 and 1965 is possible only because diversions from the general fund to the trust fund amounting to $2,500 ~~two~~ ~~b~~illion~~, five-hundred million~~ are scheduled during the fiscal years 1962-64.

TREASURY DEPARTMEN
Washington

75 June 6, 1961

For Release; Upon Delivery

Statement of the Honorable ~~Douglas Dillon,~~ Henry H. Fowler
Under Secretary of the Treasury,
Before the Committee on Finance of the United States Senate,
in connection with hearings on H. R. 6713, relating to the
Federal-Aid Highway Program
June 6 1961
10:00 A.M., EDT.

Mr. Chairman and members of the Committee:

I appreciate this opportunity to appear before you to discuss the financing features of the "Federal-Aid Highway Act of 1961". As passed by the House, this act goes a long way toward meeting the needs outlined by the President in his message of February 28, 1961, on a Federal "pay-as-you-go" highway program. I believe, however, that the bill should be modified to meet the financing requirements more fully and fairly, ~~particularly to eliminate any additional diversion from the general funds, thereby increasing the deficit for the 1962 fiscal year~~

<u>The need for additional funds</u>

The funds available to finance the Interstate Highway System have, until recently, been reasonably related to the costs of the scheduled construction program which is to be completed in 1972. This relationship has been maintained, despite increased costs, by a temporary increase of one cent a gallon in the motor fuels tax beginning in October, 1959. It is now apparent, however, that unless revenues are increased above the amounts available under present law, the program must be substantially reduced.

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TREASURY DEPARTMENT
Washington

June 6, 1961

For Release: Upon Delivery

STATEMENT OF THE HONORABLE HENRY H. FOWLER
UNDER SECRETARY OF THE TREASURY
BEFORE THE
COMMITTEE ON FINANCE OF THE UNITED STATES SENATE,
IN CONNECTION WITH HEARINGS ON H.R. 6713, RELATING
TO THE FEDERAL-AID HIGHWAY PROGRAM
TUESDAY, JUNE 6, 1961,
10:00 A.M., EDT.

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Highway aid involves planning and apportionments to States far in advance of the time the funds are actually spent. Thus, State apportionments will be made this summer for the fiscal year 1963. The authorizations for both fiscal 1963 and 1964 for the Interstate system were set at $2.2 billion. However, the funds available under present law for the Highway Trust Fund will decline with an abrupt drop of about $800 million -- almost 25 percent -- in fiscal 1965 (see Table 1). Because of the estimated future shortages of trust fund revenues under present law, it now appears that apportionments to States for fiscal 1963 can only be $2 billion, and for fiscal 1964 and 1965, $1,500 million each. Thereafter, revenues would permit apportionments to rise slowly to a maximum of $1.9 billion in fiscal 1968 and 1969, compared to estimated requirements in those years of $3 billion. Moreover, even the reduced level of apportionments for fiscal years 1964 and 1965 is possible only because diversions from the general fund to the trust fund amounting to $2,500 million are scheduled during the fiscal years 1962-64.

A slow-down in the highway program would be highly undesirable. The supplies, machinery, and manpower for highway building are available. Highway construction is making a positive contribution to employment. The finished construction itself is important to our safety, convenience, and economic growth.

The problem we face is to provide adequate financing to enable the pay-as-you-go program to advance systematically, in line with our needs and physical capabilities. Completion of the Interstate System as scheduled requires more funds -- $9,700 million more than available under the law now on the books, and $12,200 million if the scheduled diversion from the general fund is rescinded. The additional money needed is largely the result of the changes in the estimated costs of the system beyond the estimates available in 1956. A tabulation of the reasons for the increase is given in Table 2, taken from the report of the House Committee on Public Works on H. R. 6713.

<u>The Diversion Scheduled For Fiscal 1962-64</u>

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Present law, however, contains an undesirable deviation from the 1956 decision by providing for the diversion to the Highway Trust Fund for 1962-64 of part of the revenues from the excise taxes on passenger automobiles and parts and accessories. President Kennedy -- as President Eisenhower before him -- has requested that this diversion from the general fund not be permitted to occur. They both have thus supported the decision made by the Congress in 1956 in limiting such resort to the general fund. Use for highway purposes of funds not now dedicated to such use would merely shore up the highway program at the expense of the general budget. Equivalent funds would still have to be obtained by higher taxes for the general budget, lower expenditures elsewhere, or more debt financing. As a practical matter, the end result is likely to be more debt financing.

Congress examined a proposal for debt financing for the highway program in 1955. After considering the added interest costs from the bond program, the Congress rejected this approach and adopted a pay-as-you-build policy. I think that policy should be continued. Interest costs build no roads.

To permit highway financing to result in, or add to, an imbalance in the budget would be unwise. As the President stated, "This is a decision which, if it is taken at all, should be taken on its merits, in relation to the state of the economy and the budget as a whole, not as an accidental by-product of the highway program."

The President's Recommendation

In addition to the funds required if this scheduled diversion is repealed, further funds must also be provided to meet the increased costs of construction. The President has recommended raising all of the needed revenues from increasing excises previously earmarked to support the highway program. The previous Administration had reached the same conclusion and suggested increasing the present 4 cents a gallon motor fuel taxes to 4-1/2 cents a gallon. President Kennedy stated that this would be clearly acceptable and would have his support.

However, this approach would raise a very large proportion of the additional revenues from the drivers of passenger cars. A fairer allocation of the tax burden among those who use the highways requires a greater contribution from large truck operators.

The President therefore proposed as a preferred alternative to a 4-1/2 cent rate on motor fuels, the retention of the present rate of 4 cents a gallon on gasoline, and other tax increases as shown in the following table:

	Tax base	Present rate	Rate as of July 1 under present law	Rate proposed by President
Diesel fuel	gallon	4¢	3¢	7¢
Trucks and buses over 26,000 lbs.	1,000 lbs. of gross weight	$1.50	$1.50	$5.00
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The attached Table 3 shows how the Highway Trust Fund is being financed under present law as compared with the taxes proposed by the President.

The President's preferred tax proposal stresses the desirability of greater tax contributions by truckers -- especially those using diesel trucks -- because the highway costs attributable to them are not now fully reflected in Trust Fund taxes paid by them. This will be explained fully with technical detail in the statement submitted by the Bureau of Public Roads.

I am sure that you will be told that the trucking industry is highly competitive, not very profitable, and cannot "bear" the taxes proposed. These additional taxes are not proposed because the industry can pay them out of profits. A more fundamental public policy question is involved. The trucking industry is a large industry. In fairness to the general taxpaying public and competing modes of transportation, we feel that the industry and its customers should now pay their allocable share of the cost of Federal-aid facilities used by it. These additional tax costs will be reflected in the industry's costs and rates.

The President made four other suggestions which have an impact on the Highway Trust Fund:

1. Receipts from aviation gasoline ($22 million for fiscal 1962) should be retained in the general fund rather than transferred to the Highway Trust Fund. The hoped for development of an airway user charge program would heighten the inconsistency of using these tax revenues for highway financing. This change would reduce Trust Fund receipts over its remaining life by about $160 million.

2. The financing of forest and public land highways (now about $36 million a year) should be transferred to the Highway Trust Fund. Such roads primarily benefit automotive operators and logically should be paid for from automotive taxes devoted to highway financing. This change would add about $400 million to Trust Fund expenditures over the rest of the Fund's life.

3. Funds for the ABC system of primary, secondary, and urban roads should be gradually increased from the fixed annual level of $925 million to $1 billion by increasing authorizations $25 million per year in 1964, 1966, and 1968. This would add about $400 million to Trust Fund expenditures.

An argument for this proposed diversion has been asserted on the basis of the highway cost allocation study of the Bureau of Public Roads (see House Report No. 326, page 15). This study suggested that 8 percent of the program's costs should be assigned to revenue sources other than taxes on motor-vehicle users.

The President in his Highway Message pointed out, however, that the study did not support further diversions from the general fund. The statement presented on behalf of the Bureau of the Budget will deal with this matter more thoroughly.

Aside from the interpretation of the study, we should remember that considerable revenues previously used for general Government purposes were diverted to the Highway Trust Fund at its inception.

The diversion under the House Bill is, in effect, an indirect method of breaching the requirement of section 209(g) of the 1956 Act that expenditures should be limited to funds estimated to be available to the Highway Trust Fund. If additional revenue needs of the Fund are to be met through diversion from the general fund, then it seems to me that section 209(g) has no real force.

The differences in revenue sources proposed by the House Bill and by the President involve the components which are designed to raise additional revenues from heavy trucks -- namely, the tax on tread rubber, the truck use tax, and the tax on diesel fuel. Under the Bill the first two of these taxes would be raised somewhat, but there would be no increase in the current rate of tax on diesel fuel. Over the life of the program, the bill would raise $2,500 million less from these three sources than the President proposed. The following table details the differences in rates:

	Tax Base	Present Rate	Rate as of July 1 under present law	Rate proposed by President	H.R. 6713
Diesel fuel	gallon	4¢	3¢	7¢	4¢
Trucks and buses over 26,000 lbs.	1,000 lbs. of gross weight	$1.50	$1.50	$5.00	$3.00
Highway tires	pound	8¢	8¢	10¢	10¢
Inner tubes	pound	9¢	9¢	10¢	10¢
Tread rubber	pound	3¢	3¢	10¢	5¢

The increases proposed by the President would provide a more adequate and reasonable allocation of the costs of Federal highway aid while removing undue burdens from the general fund.

The study made by the Bureau of Public Roads at the direction of the Congress clearly supports the raising of additional revenue from trucks. The increase in the truck use tax is necessary to provide the additional increment of tax on heavy trucks which cannot be accurately provided by generalized taxes. To leave the tax rate on diesel fuel at the same level as the gasoline tax will result in diesel vehicles paying less tax per mile of highway use than gasoline-powered vehicles.

H.R. 6713 also fails to discontinue the transfer to the Highway Trust Fund of revenues from the tax on aviation gasoline. This proposed change is part of the President's program for implementation of a user charge system for Federal airways.

The bill makes no provision for financing forest and public land highways from the Highway Trust Fund revenues, which is the logical and appropriate arrangement for paying for these roads.

Let me also note that the Treasury Department does not agree with the estimated revenues for the truck use tax set forth in the Ways and Means Committee report on H. R. 6713. Those estimates assume: first, that the Treasury Department will collect 100 percent of the amounts due under the tax and, second, that the Regulations will be revised to provide for a tax classification system resulting in a higher over-all tax than at present. The Treasury Department is reviewing its methods of enforcing this tax and is confident that greater effectiveness can be achieved. In fact, collection increases in the last several fiscal years indicate that considerable improvement already has been made. However, the Department believes it is unrealistic in making estimates for fiscal year 1962 and after to assume there will be immediate and complete compliance by every taxpayer. Similarly, we see no justification for assuming that the present truck classifications in the Regulations are erroneous or that any readjustment of that classification is warranted which would result in substantially increased revenues. These two factors, however, have been counted on by the House to add nearly $400 million -- or more than 20 percent of their estimate of the revenues from this tax during the remaining life of the Trust Fund.

We also have misgivings about the provision in H. R. 6713 for installment payment of the truck use tax in place of the existing requirement of a single annual payment. It has been argued that full payment at the time of initial liability places a financial burden on truckers. However, the Federal truck use tax is no different in this respect than the registration taxes in practically all the States.

An installment payment system for the truck use tax would increase the work of the Internal Revenue Service since it would require maintaining accounts and sending bills to taxpayers after the first payment. The Internal Revenue Service is presently faced with a tremendous volume of paperwork, and we would hope to avoid additional work which does not add to the effectiveness of the tax system.

The Department has no objection to the provision in the Bill for the tax-free sale of gasoline for use as a material in the manufacture of another article.

The following table summarizes the differences between the House Bill and the President's recommendations with respect to the Trust Fund financing over its life, including the proposed three months' extension. The House Bill counts on revenues of $2.3 billion from sources which we believe are either objectionable or overestimated, and it fails to allow for about $400 million of proper Trust Fund expenses, a total difference of over $2,700 million.

Item	Amount (in millions)
1. Overstatement of revenues - total	$2,320
a. Diversion of revenues from mfrs. tax on trucks and buses	1,771
b. Retention of aviation gas receipts	161
c. Excess of truck use tax revenue estimate	388
2. Understatement of expenses	
Forest and public land highways	397
3. Grand total	$2,732

I urge your favorable consideration of the President's recommendations for increases in the taxes on diesel fuel, tread rubber, and truck use to obtain the needed additional revenues by which the House Bill falls short of the President's proposals.

Alternatively, the President recommended an increase of 1/2 cent in the tax on gasoline over the existing level of 4 cents per gallon. But this is a second choice, since the study by the Bureau of Public Roads clearly indicated that the general bulk of highway users were paying their fair share of Federal highway expenditures, and the President's preference is for financing methods which more adequately reflect the cost factors attributable to heavier trucks.

In conclusion, let me repeat that H. R. 6713, as passed by the House, goes far to meet the objective of financing the Federal highway system in a reasonable fashion. However, we believe that additional revenues from present Trust Fund revenue sources are needed to accord with the President's program. Provision of these additional revenues would enable us to keep our Federal highway program moving steadily ahead on a pay-as-you-go basis without unfair burdens on or diversion from the general fund which in the fiscal year 1962 at least would add to an already predicted deficit.

Table 1

Estimated status of Highway Trust Fund under present law

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary secondary, and urban 1/	Interstate	Primary, secondary, and urban 1/		
From before 1957	$ 140	$ 965	....	....	....	....
1957	1,175	829	$ 208	$ 758	$ 1,482	$ 516
1958	1,700	859	675	836	2,044	1,049
1959	2,200	1,381	1,501	1,112	2,087	524
1960	2,500	906	1,861	1,079	2,536	119
1961	1,800	883	1,901	967	2,857	108
1962	2,200	884	2,078	913	3,216	333
1963	2,000	935	2,278	912	3,223	366
1964	1,500	935	2,141	928	3,308	605
1965	1,500	935	1,838	940	2,517	344
1966	1,600	935	1,670	941	2,573	306
1967	1,700	935	1,673	944	2,629	318
1968	1,900	935	1,705	943	2,683	353
1969	1,900	935	1,795	943	2,739	354
1970	1,625	935	1,746	943	2,797	462
1971	....	935	1,746	943	2,861	634
1972	....	935	624	943	2,930	1,997
After 1972	....	....	....	....	321 2/	2,318
Total	25,440	16,057	25,440	15,045	42,803	....

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1/ Includes emergency relief as well as special funds totaling $502,000,000 apportioned for 1959.
2/ Receipts on tax liabilities accrued prior to July 1, 1972.

Table 2

Relationship of 1955, 1958, and 1961 Interstate
System cost estimates

(In billions)

Item	Estimated costs: Total	Federal share	State share
1955 estimate	$27.6	$25.0	$2.6
5 percent increase due traffic	1.3	1.2	.1
15 percent increase due local needs	3.8	3.4	.4
3 percent increase due utilities and miscellaneous	.8	.7	.1
12 percent increase due price increase	4.1	3.6	.5
Subtotal, 1958 estimate	37.6	33.9	3.7
Increase due 1,452 miles added routes	1.6	1.5	.1
Carryover and contingency	.7	.6	.1
Total to complete a 40,000-mile system, based on 1958 estimate	39.9	36.0	3.9
Additional 1,000 miles	1.1	1.0	.1
Total to complete a 41,000-mile system, based on 1958 estimate	41.0	37.0	4.0
Reduction in 1961 construction cost estimate	-1.0	-.9	-.1
State highway planning and research	.6	.5	.1
Public roads administration and research.	.4	.4	0
Total, 1961 estimate	41.0	37.0	4.0

Source: H. Rep. No. 326, 87th Cong., 1st Sess., p. 7.

Table 3

Financing of the Highway Trust Fund

Item	Tax base	Rates prior to 1956 Highway Revenue Act	Rates under 1956 Highway Revenue Act	Rates under Federal-aid Highway Act of 1959	Rates under President's proposal	Rates under H. R. 6713 1/	Fiscal year: Percent of receipts appropriated to Trust Fund: Present law: 1957	1958-61	1962-64	1965-72	1962-72 President's proposal	1962-72 H.R. 6713 1/
							(Percent)					
Gasoline	Gallon	2¢	3¢	4¢ 2/	no change	no change	100	100	100	100	100	100
Diesel fuel 3/	Gallon	2¢	3¢	4¢ 2/	7¢ 4/	no change	100	100	100	100	100	100
Trucks and buses	Mfrs. price	8%	10%	no change	no change	no change	20	50	50	50	50	100
Tires - for highway vehicles	Pound	5¢	8¢	no change	10¢	10¢	37½	100	100	100	100	100
other	Pound	5¢	no change	no change 5/	no change	no change	0	100	100	100	100	100
Tubes	Pound	9¢	no change	no change	10¢	10¢	0	100	100	100	100	100
Tread rubber	Pound	0	3¢	no change	10¢	5¢	100	100	100	100	100	100
Use tax on trucks and buses 6/	Taxable gross weight	0	$1.50 per M lbs.	no change	$5	$3	100	100	100	100	100	100
Floor stocks taxes:												
Gasoline	Gallon	--	1¢	1¢	--	--	100	100	--	--	--	--
Tires for highway vehicles	Pound	--	3¢	--	2¢	2¢	100	--	--	--	100	100
Tread rubber	Pound	--	3¢	--	7¢	2¢	100	--	--	--	100	100
Tubes	Pound	--	--	--	1¢	1¢	--	--	--	--	100	100
Trucks and buses	Mfrs. price	--	2%	--	--	--	100	--	--	--	--	--
Passenger automobiles	Mfrs. price	10%	no change	no change	no change	no change	0	0	50 7/	0	0	0
Automobile parts and accessories	Mfrs. price	8%	no change	no change	no change	no change	0	0	62½ 7/	0	0	0

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1/ Effective until September 30, 1972. Present law rates are effective through June 30, 1972.
2/ For period October 1, 1959 through June 30, 1961.
3/ Includes special motor fuels.
4/ 4 cents for special motor fuels.
5/ Laminated tires taxed at 1-cent per pound beginning June 1, 1960.
6/ Vehicles with taxable gross weight in excess of 26,000 pounds.
7/ Actually, receipts equivalent to tax of 5 percent.

Table 4

Status of Highway Trust Fund under President's proposals

(In millions of dollars)

Fiscal year	Apportionments			Expenditures			Revenues			Balance in trust fund on June 30
	Interstate	Primary secondary and urban 1/	Forest and public lands	Interstate	Primary secondary and urban 1/	Forest and public lands	Present sources	Additional	Total	
From before 1957	315	1,665								
1957	1,000	129	--	208	758	--	1,482	--	1,482	516
1958	1,700	859	--	675	836	--	2,044	--	2,044	1,049
1959	2,200	1,381	--	1,501	1,112	--	2,087	--	2,087	524
1960	2,500	906	--	1,861	1,079	--	2,536	--	2,536	119
1961	1,800	883	--	1,901	967	--	2,857	--	2,857	108
Unpaid balance	--	--	82	--	--	--	--	--	--	--
1962	2,200	884	36	2,139	913	37	3,216	-40	3,176	195
1963	2,400	930	36	2,326	898	36	3,223	78	3,301	236
1964	2,600	955	36	2,451	927	36	3,308	94	3,402	224
1965	2,700	955	36	2,552	923	36	2,517	982	3,499	212
1966	2,800	980	36	2,645	932	36	2,573	1,011	3,584	183
1967	2,900	980	36	2,739	949	36	2,629	1,038	3,667	126
1968	3,000	1,005	36	2,838	958	36	2,683	1,066	3,749	43
1969	3,000	1,005	36	2,866	972	36	2,739	1,092	3,831	0
1970	3,000	1,005	36	2,901	977	36	2,797	1,117	3,914	0
1971	2,885	1,005	36	2,992	979	36	2,861	1,146	4,007	0
1972	--	1,005	36	3,104	966	36	2,930	1,176	4,106	0
Through Sept. 30, 1972	--	--	--	1,301	--	--	321	1,209	1,530	229
Total	37,000	16,532	478	37,000	15,146	397	42,803	9,969	52,772	--

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1/ Includes emergency relief program, as well as special funds totaling $502 million apportioned for 1959.

Table 5

Highway Trust Fund revenues under present law and revenues added by President's proposals

(In millions of dollars)

cal ear	Present law: Gasoline and other motor fuels 3¢ per gallon 1/	Sales of trucks and buses 5%	Tread rubber 3¢ per pound	Tires 8¢ or 5¢ per pound	Tubes 9¢ per pound	Passenger automobiles 5%	Parts and accessories 5%	Truck use tax $1.50 per M pounds	Interest	Total
ual--										
957	1,326	34	11	82	--	--	--	26	3	1,482
958	1,608	111	13	244	17	--	--	33	18	2,044
959	1,657	107	14	247	15	--	--	34	13	2,087
960	2,044	142	15	281	19	--	--	38	- 3	2,536
imated--										
961	2,362	142	15	279	16	--	--	45	- 2	2,857
962	1,894	143	15	286	16	679	131	50	2	3,216
963	1,869	146	16	291	16	692	137	53	3	3,223
964	1,917	149	17	296	16	709	144	56	4	3,308
965	1,965	153	19	301	16	--	--	59	4	2,517
966	2,010	156	19	307	16	--	--	61	4	2,573
967	2,054	159	20	313	16	--	--	63	4	2,629
968	2,097	162	21	318	16	--	--	65	4	2,683
969	2,142	164	22	325	16	--	--	66	4	2,739
970	2,191	166	22	331	16	--	--	67	4	2,797
971	2,242	169	23	339	16	--	--	68	4	2,861
972	2,298	172	24	347	16	--	--	69	4	2,930
973 2/	319	--	--	2	--	--	--	--	--	321
Total	31,995	2,275	286	4,589	243	2,080	412	853	70	42,803

	President's proposals: Gasoline and other motor fuels: 1¢ per gallon 3/	Diesel fuel 4¢ per gallon	Sales of trucks and buses 5%	Tread rubber 7¢ per pound	Tires 2¢ per pound	Tubes 1¢ per pound	Passenger automobiles 5%	Parts and accessories 5%	Truck use tax $3.50 per M pounds	Net additional revenues	Total present and additional revenues
ual--											
957	--	--	--	--	--	--	--	--	--	--	1,482
958	--	--	--	--	--	--	--	--	--	--	2,044
959	--	--	--	--	--	--	--	--	--	--	2,087
960	--	--	--	--	--	--	--	--	--	--	2,536
imated--											
961	--	--	--	--	--	--	--	--	--	--	2,857
962	476	77	--	34	64	2	- 679	- 131	117	- 40	3,176
963	573	104	--	37	67	2	- 692	- 137	124	78	3,301
964	591	115	--	40	68	2	- 709	- 144	131	94	3,402
965	605	124	--	44	69	2	--	--	138	982	3,499
966	618	132	--	46	71	2	--	--	142	1,011	3,584
967	631	139	--	47	72	2	--	--	147	1,038	3,667
968	645	145	--	49	73	2	--	--	152	1,066	3,749
969	658	152	--	51	75	2	--	--	154	1,092	3,831
970	673	158	--	52	76	2	--	--	156	1,117	3,914
971	689	164	--	54	78	2	--	--	159	1,146	4,007
972	705	172	--	56	80	2	--	--	161	1,176	4,106
973 2/	891	105	32	23	110	4	--	--	44	1,209	1,530
Total	7,755	1,587	32	533	903	26	- 2,080	- 412	1,625	9,969	52,772

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Tax receipts less refunds. Rate 4 cents per gallon from October 1, 1959 through June 30, 1961.
Includes receipts on tax liabilities accrued prior to July 1, 1972 under present law, and prior to October 1, 1972 under President's program.
Excludes receipts from aviation gasoline.

Table [illegible]

Status of Highway Trust Fund under legislation proposed in H.R. 6713
(Title II, Federal-Aid Highway Bill of 1961, as passed by the House of Representatives May 4)
(In millions of dollars)

	Apportionments		Expenditures		Revenues			Balance in trust fund on June 30
	Inter-state	Primary, secondary and urban 1/	Inter-state	Primary, secondary and urban	Present sources	Addi-tional	Total	
From before 1957	315	965						
1957	1,000	829	208	758	1,482	--	1,482	516
1958	1,700	859	675	836	2,044	--	2,044	1,049
1959	2,200	1,381	1,501	1,112	2,087	--	2,087	523
1960	2,500	906	1,861	1,079	2,536	--	2,536	119
1961	1,800	883	1,901	967	2,857	--	2,857	108
1962	2,200	884	2,139	913	3,216	11	3,227	283
1963	2,400	930	2,326	898	3,223	96	3,319	378
1964	2,600	955	2,451	927	3,308	101	3,409	409
1965	2,700	955	2,552	923	2,517	978	3,495	429
1966	2,800	980	2,645	932	2,573	1,003	3,576	428
1967	2,900	980	2,739	949	2,629	1,025	3,654	394
1968	3,000	1,005	2,838	958	2,683	1,048	3,731	329
1969	3,000	1,005	2,886	972	2,739	1,068	3,807	298
1970	3,000	1,005	2,901	977	2,797	1,090	3,887	307
1971	2,885	1,005	2,992	979	2,861	1,115	3,976	312
1972	--	1,005	3,104	966	2,930	1,140	4,070	312
Through Sept. 30, 1972	--	--	1,301	317	321	1,150	1,471	165
Total	37,000	16,532	37,000	15,463	42,803	9,825	52,628	--

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1/ Includes emergency relief program as well as special funds totaling $502 million apportioned for 1959.

Table 7

Highway Trust Fund revenues under present law and revenues added by the Federal-Aid Highway Bill of 1961 (H.R. 6713, Title II, as passed by the House of Representatives May 4)

(In millions of dollars)

scal year	Present law: Gasoline and other motor fuels: 3¢ per gallon 1/	Sales of trucks and buses 5%	Tread rubber 3¢ per pound	Tires 8¢ or 5¢ per pound	Tubes 9¢ per pound	Passenger automobiles 5%	Parts and accessories 5%	Truck use tax $1.50 per M pounds	Interest	Total
ual--										
1957	1,326	34	11	82	--	--	--	26	3	1,482
1958	1,608	111	13	244	17	--	--	33	18	2,044
1959	1,657	107	14	247	15	--	--	34	13	2,087
1960	2,044	142	15	281	19	--	--	38	- 3	2,536
imated--										
1961	2,362	142	15	279	16	--	--	45	- 2	2,857
1962	1,894	143	15	286	16	679	131	50	2	3,216
1963	1,869	146	16	291	16	692	137	53	3	3,223
1964	1,917	149	17	296	16	709	144	56	4	3,308
1965	1,965	153	19	301	16	--	--	59	4	2,517
1966	2,010	156	19	307	16	--	--	61	4	2,573
1967	2,054	159	20	313	16	--	--	63	4	2,629
1968	2,097	162	21	318	16	--	--	65	4	2,683
1969	2,142	164	22	325	16	--	--	66	4	2,739
1970	2,191	166	22	331	16	--	--	67	4	2,797
1971	2,242	169	23	339	16	--	--	68	4	2,861
1972	2,298	172	24	347	16	--	--	69	4	2,930
1973 2/	319	--	--	2	--	--	--	--	--	321
Total	31,995	2,275	286	4,589	243	2,080	412	853	70	42,803

scal year	Revenue added by H.R. 6713: Gasoline and other motor fuels: 1¢ per gallon 1/	Diesel fuel 4¢ per gallon	Sales of trucks and buses 5%	Tread rubber 2¢ per	Tires 2¢ per pound	Tubes 1¢ per pound	Passenger automobiles 5%	Parts and accessories 5%	Truck use tax $1.50 per M pounds 3/	Net additional revenues	Total present and additional revenues
ual--											
1957	--	--	--	--	--	--	--	--	--	--	1,482
1958	--	--	--	--	--	--	--	--	--	--	2,044
1959	--	--	--	--	--	--	--	--	--	--	2,087
1960	--	--	--	--	--	--	--	--	--	--	2,536
imated--											
1961	--	--	--	--	--	--	--	--	--	--	2,857
1962	505	19	143	9	64	2	- 679	- 131	79	11	3,227
1963	590	25	146	11	67	2	- 692	- 137	84	96	3,319
1964	606	29	149	12	68	2	- 709	- 144	88	101	3,409
1965	618	31	153	13	69	2	--	--	92	978	3,495
1966	632	33	156	14	71	2	--	--	95	1,003	3,576
1967	644	35	159	14	72	2	--	--	99	1,025	3,654
1968	659	36	162	14	73	2	--	--	102	1,048	3,731
1969	672	38	164	14	75	2	--	--	103	1,068	3,807
1970	687	40	166	15	76	2	--	--	104	1,090	3,887
1971	703	41	169	15	78	2	--	--	107	1,115	3,976
1972	719	43	172	16	80	2	--	--	108	1,140	4,070
1973 2/	881	50	64	11	110	4	--	--	30	1,150	1,471
Total	7,916	420	1,803	158	903	26	- 2,080	- 412	1,091	9,825	52,628

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Tax receipts less refunds. Rate 4 cents per gallon from October 1, 1959 through June 30, 1961. Includes net receipts from tax on aviation gasoline.
Includes receipts from tax liabilities accrued prior to July 1, 1972 under present law, and prior to October 1, 1972 under H.R. 6713.
Includes effect of change in law and enforcement.

I urge you, therefore, to take the logical step of eliminating the postal deficit by assessing these costs to the users rather than to the present and future taxpayers.

fixed rates of revenue. No private business could remain in operation on this basis, and while I would not suggest that it is appropriate for the postal system ~~be~~ to operate~~d~~ on a purely commercial basis I find the prospect of such heavy subsidization at least equally ~~inappropriate~~ out of place.

In conclusion, let me say again that decisions to spend and tax, and to borrow or repay debt, involve difficult choices at every step along the line. It is only after the most careful winnowing of desirable programs for additional expenditure and revenue-costing tax reforms that the currently anticipated total budget deficit of ~~some~~ about \$3.~~3/4~~ 6 billion in fiscal 1962 has been permitted to take shape. To add more than 20 per cent to that deficit simply because of failure to move toward closing the gap between postal revenues and expenditures would strike a severe blow at fiscal integrity. On the other hand, to close this and other gaps along the lines requested by the Administration would be strong evidence that while we are currently planning for a moderate-sized deficit in the next fiscalyear, the over-all situation is manageable and under close control.

aggregate deficit for a single year is expected to take the better part of a billion dollars. This is not an amount that we can afford to treat lightly. It imposes either an immediate burden on the general taxpayer, which is out of place at a time when the economy is still recovering from recession, or an addition to the deficit which must be financed by borrowing but ultimately repaid with interest out of future tax revenues. Equally or more serious than that additional deficit itself would be the implication, for all the world to see, that we are reluctant to accept ~~cannot live up to~~ the high standards of fiscal discipline which this Administration has set for itself, alongside its aims for achieving a prosperous free society and fulfilling its responsibilities of world leadership.

Finally, I am sure it is not necessary to remind this Committee that the Congress did not intend, in setting the current rate schedules ~~grown that when the current rate schedules were established.~~

Finally, I am sure it is not necessary to remind this Committee that the Congress did not intend, in setting the current rate schedules, to underwrite postal deficits of the magnitude now in prospect. The deficit that will now emerge, unless revenues are increased, is one that has grown out of the "squeeze" exerted by rising costs and

To my mind the postal system is a prime example of the kind of service that can be paid for by its users. When we put a man into space the benefits to the nation as a whole can be apportioned among the individual citizens only by a system of general taxation. When we expend funds to assist small businesses in distressed areas, or to help retrain workers who are displaced by advancing technology or shifting patterns of demand, we can calculate where the benefit goes but we obviously cannot exact a charge from that same quarter without vitiating the whole effect of the program. But each time a piece of mail is delivered by the Post Office Department, there is a service performed for which the cost is readily calculated, for which the beneficiaries are readily identifiable, and where those beneficiaries clearly can and should pay a reasonable amount for the service received.

It is rare indeed when user charges can be computed in pennies. This can be done in the case of the postal services; but while the individual charge can be figured in pennies, the international cooperation, and space exploration are costly; so also are the necessary measures to combat the recession and to help put the economy back on a path of healthy long-term growth. Consequently, there are priorities to be met, and principles to be applied in working out the pattern of compromises that are inevitable in putting together whole programs.

One of these principles is that the services provided by the Federal Government should pay their own way wherever and to whatever extent possible--consistent of course with the feasibility of calculating and charging the costs to those who receive the service, ~~and~~ with our overriding social objectives and ~~objectives~~. Indeed, as the members of this Committee know better than I, the Congress itself has declared it to be its sense that every service provided by the Federal Government should be self-sustaining to the fullest possible extent. This was done as far back as 1951, in the Independent Offices Appropriation Act for 1952, which in addition expressly charged agency heads with a responsibility for carrying out this policy. Of course, since postal rates are fixed by statute, this is a situation in which the Congress itself must see to it that the responsibility for fiscal integrity is carried out.

I cannot emphasize too strongly the harmful effects domestically and internationally of any indication that our Government does not have its fiscal affairs under control. At home, undisciplined deficits are a prime source of inflationary pressures and they leave for the monetary authorities the full burden of placing a restraining hand on potential excessive demand. The recollection of what a large budget deficit leads to in terms of high interest rate levels and tight availability of credit is too fresh to be ignored.

On the international side the impact of any hint of fiscal laxity would be, if anything, even more disturbing. Flows of international funds are highly sensitive to changing appraisals of the relative strengths and weaknesses of the world's leading currencies. We simply cannot afford to risk a repetition of last year's speculative outflow from the dollar and consequent loss of gold for this country.

Now I do not suggest for a moment that fiscal integrity can be held up as the ultimate aim to which other objectives must be tailored. But our commitments for national defense, As that quotation indicates, the postal deficit has not been singled out for particularly rigorous application of the Administration's fiscal standards, although that deficit does have the distinction of being one of the largest gaps that we feel must be plugged. The same concern for fiscal integrity is evident in regard to the highway program, where additional revenues have been requested to maintain a self-sustaining program. In fact, Under Secretary Fowler is testifying to that very purpose this morning. Likewise, in working ~~making~~ out the Administration's tax program, there was strict adherence to the principle that potential revenue losses as a result of the changes proposed to stimulate the economy should be counterbalanced by revenue gains from the elimination of certain defects and inequities in the current tax set-up. And again, in the case of expanded benefits for unemployment compensation, social security and health insurance, additional taxes have been recommended to finance the increased expenditures proposed.

on the State of the Union, continuing with his Messages on the Balance of Payments and on Budget and Fiscal Policy, and most recently in the Message of May 25 on Urgent National Needs, the President has time and again underscored the need for fiscal integrity, in particular by exerting every effort to hold down the budget deficit now emerging in the current recessionary period and by achieving a balanced budgetary position over the ~~long pull~~ years of the business cycle.

In all of these statements, implicitly or explicitly, the elimination of the large prospective postal deficit has been a vital ingredient of ~~that~~ these efforts. The issue was nowhere drawn more clearly than in the May 25 Message on Urgent National Needs. There, after outlining essential programs for defense, space exploration, and relief of special problems of the unemployed, the President said:

> "If the budget deficit now increased by the needs of our security is to be held within manageable proportions--if we are to preserve our fiscal integrity and world confidence in the dollar--it will be necessary to hold tightly to prudent fiscal standards; and I must request the cooperation of the Congress in this regard--to refrain from adding funds or programs, desirable as they may be, to the budget--to end the postal deficit through increased rates (a deficit, incidentally, which exceeds the fiscal year 1962 cost of all the space and defense measures I am submitting today)--to provide full pay-as-you-build highway financing, and to close those tax loopholes earlier specified."

for MONETARY AFFAIR

STATEMENT OF ROBERT V. ROOSA, UNDER SECRETARY OF THE TREASURY, BEFORE THE HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE, TUESDAY, JUNE 6, 1961, 10:00 A.M.

I am glad to have the opportunity to appear before this Committee in support of postal rate increases that would eliminate the deficit otherwise expected in Post Office operations during the fiscal year beginning next month.

Let me say at the outset that I am not here to argue the merits of the specific provisions of H. R. 6418. I could not possibly add to the expert knowledge available to this Committee in regard to the detailed workings of the Post Office Department, and particularly your knowledge of which portions of the total operation are bringing in revenues about equal to costs and which are providing service to the users at far below cost. Rather, I am here to urge that ~~general considerations of~~ it would be inconsistent with sound budget and fiscal ~~policy do not permit~~ policies for the Government to incur an additional deficit of $8~~43~~31 million to run the Post Office Department in fiscal 1962.

The President has made quite clear the strong concern of this Administration for sound financial principles--at the same time that it pursues policies to achieve high and rising levels ~~at~~ of economic activity. Starting with his January Message

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TREASURY DEPARTMENT
Washington

June 6, 1961 101

For Release: Upon Delivery

Statement of The Honorable Robert V. Roosa, Under Secretary for Monetary Affairs, of the Treasury, Before the House ~~Committee on~~ Post Office and Civil Service Committee, on Postal Rate Increases, Tuesday, June 6, 1961, 10:00 A.M., EDT

D-128

TREASURY DEPARTMENT
Washington

June 6, 1961

For Release: Upon Delivery

STATEMENT OF THE HONORABLE ROBERT V. ROOSA
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE THE
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
ON POSTAL RATE INCREASES
TUESDAY, JUNE 6, 1961,
10:00 A.M., EDT.

I am glad to have the opportunity to appear before this Committee in support of postal rate increases that would eliminate the deficit otherwise expected in Post Office operations during the fiscal year beginning next month.

Let me say at the outset that I am not here to argue the merits of the specific provisions of H. R. 6418. I could not possibly add to the expert knowledge available to this Committee in regard to the detailed workings of the Post Office Department, and particularly your knowledge of which portions of the total operation are bringing in revenues about equal to costs and which are providing service to the users at far below cost. Rather, I am here to urge that it would be inconsistent with sound budget and fiscal policies for the Government to incur an additional deficit of $831 million to run the Post Office Department in fiscal 1962.

The President has made quite clear the strong concern of this Administration for sound financial principles -- at the same time that it pursues policies to achieve high and rising levels of economic activity. Starting with his January Message on the State of the Union, continuing with his Messages on the Balance of Payments and on Budget and Fiscal Policy, and most recently in the Message of May 25 on Urgent National Needs, the President has time and again underscored the need for fiscal integrity, in particular by exerting every effort to hold down the budget deficit now emerging in the current recessionary period and by achieving a balanced budgetary position over the years of the business cycle.

In all of these statements, implicitly or explicitly, the elimination of the large prospective postal deficit has been a vital ingredient of these efforts. The issue was nowhere drawn more clearly than in the May 25 Message on Urgent National Needs. There, after outlining essential programs for defense, space exploration, and relief of special problems of the unemployed, the President said:

> "If the budget deficit now increased by the needs of our security is to be held within manageable proportions -- if we are to preserve our fiscal integrity and world confidence in the dollar -- it will be necessary to hold tightly to prudent fiscal standards; and I must request the cooperation of the Congress in this regard -- to refrain from adding funds or programs, desirable as they may be, to the budget -- to end the postal deficit through increased rates (a deficit, incidentally, which exceeds the fiscal year 1962 cost of all the space and defense measures I am submitting today) -- to provide full pay-as-you-build highway financing, and to close those tax loopholes earlier specified."

As that quotation indicates, the postal deficit has not been singled out for particularly rigorous application of the Administration's fiscal standards, although that deficit does have the distinction of being one of the largest gaps that we feel must be plugged. The same concern for fiscal integrity is evident in regard to the highway program, where additional revenues have been requested to maintain a self-sustaining program. In fact, Under Secretary Fowler is testifying to that very purpose this morning. Likewise, in working out the Administration's tax program, there was strict adherence to the principle that potential revenue losses as a result of the changes proposed to stimulate the economy should be counterbalanced by revenue gains from the elimination of certain defects and inequities in the current tax set-up. And again, in the case of expanded benefits for unemployment compensation, social security and health insurance, additional taxes have been recommended to finance the increased expenditures proposed.

I cannot emphasize too strongly the harmful effects domestically and internationally of any indication that our Government does not have its fiscal affairs under control. At home, undisciplined deficits are a prime source of inflationary pressures and they leave for the monetary authorities the full burden of placing a restraining hand on potential excessive demand. The recollection of what a large budget deficit leads to in terms of high interest rate levels and tight availability of credit is too fresh to be ignored.

On the international side the impact of any hint of fiscal laxity would be, if anything, even more disturbing. Flows of international funds are highly sensitive to changing appraisals of the relative strengths and weaknesses of the world's leading currencies. We simply cannot afford to risk a repetition of last year's speculative outflow from the dollar and consequent loss of gold for this country.

Now I do not suggest for a moment that fiscal integrity can be held up as the ultimate aim to which other objectives must be tailored. But our commitments for national defense, international cooperation, and space exploration are costly; so also are the necessary measures to combat the recession and to help put the economy back on a path of healthy long-term growth. Consequently, there are priorities to be met, and principles to be applied in working out the pattern of compromises that are inevitable in putting together whole programs.

One of these principles is that the services provided by the Federal Government should pay their own way wherever and to whatever extent possible -- consistent, of course, with our overriding social objectives and with the feasibility of calculating and charging the costs to those who receive the service. Indeed, as the members of this Committee know better than I, the Congress itself has declared it to be its sense that every service provided by the Federal Government should be self-sustaining to the fullest possible extent. This was done as far back as 1951, in the Independent Offices Appropriation Act for 1952, which in addition expressly charged agency heads with a responsibility for carrying out this policy. Of course, since postal rates are fixed by statute, this is a situation in which the Congress itself must see to it that the responsibility for fiscal integrity is carried out.

To my mind the postal system is a prime example of the kind of service that can be paid for by its users. When we put a man into space the benefits to the nation as a whole can be apportioned among the individual citizens only by a system of general taxation. When we expend funds to assist small businesses in distressed areas, or to help retrain workers who are displaced by advancing technology or shifting patterns of demand, we can calculate where the benefit goes but we obviously cannot exact a charge from that same quarter without vitiating the whole effect of the program. But each time a piece of mail is delivered by the Post Office Department, there is a service performed for which the cost is readily calculated, for which the beneficiaries are readily identifiable, and where those beneficiaries clearly can and should pay a reasonable amount for the service received.

It is rare indeed when user charges can be computed in pennies. This can be done in the case of the postal services; but while the individual charge can be figured in pennies, the aggregate deficit for a single year is expected to take the better part of a billion dollars. This is not an amount that we can afford to treat lightly. It imposes either an immediate burden on the general taxpayer, which is out of place at a time when the economy is still recovering from recession, or an addition to the deficit which must be financed by borrowing but ultimately repaid with interest out of future tax revenues. Equally or more serious than that additional deficit itself would be the implication, for all the world to see, that we are reluctant to accept the high standards of fiscal discipline which this Administration has set for itself, alongside its aims for achieving a prosperous free society and fulfilling its responsibilities of world leadership.

Finally, I am sure it is not necessary to remind this Committee that the Congress did not intend, in setting the current rate schedules, to underwrite postal deficits of the magnitude now in prospect. The deficit that will now emerge, unless revenues are increased, is one that has grown out of the "squeeze" exerted by rising costs and fixed rates of revenue. No private business could remain in operation on this basis, and while I would not suggest that it is appropriate for the postal system to operate on a purely commercial basis I find the prospect of such heavy subsidization at least equally out of place.

In conclusion, let me say again that decisions to spend and tax, and to borrow or repay debt, involve difficult choices at every step along the line. It is only after the most careful winnowing of desirable programs for additional expenditure and revenue-costing tax reforms that the currently anticipated total budget deficit of about $3.6 billion in fiscal 1962 has been permitted to take shape. To add more than 20 per cent to that deficit simply because of failure to move toward closing the gap between postal revenues and expenditures would strike a severe blow at fiscal integrity. On the other hand, to close this and other gaps along the lines requested by the Administration would be strong evidence that while we are currently planning for a moderate-sized deficit in the next fiscal year, the over-all situation is manageable and under close control.

I urge you, therefore, to take the logical step of eliminating the postal deficit by assessing these costs to the users rather than to the present and future taxpayers.

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~~XBETAXXMODIFIED~~

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.

~~XBEKAXXXMODKKKBX~~

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 ~~x(16)x~~ or less for the additional bills dated March 16, 1961 ~~x(17)x~~, (91 ~~x(18)~~ days remaining until maturity date on September 14, 1961 ~~x(19)~~) and noncompetitive tenders for $100,000 ~~x(20)x~~ 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 15, 1961 ~~x(22)x~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 15, 1961 ~~x(23)x~~. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

~~Exhibit 2-A~~

~~BETA-MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~4:00 P.M.,~~ June 7, 1961

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ ~~(1)~~

TREASURY'S WEEKLY BILL OFFERING

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 15, 1961 ~~(3)~~, in the amount of $1,601,254,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued June 15, 1961 ~~(6)~~, in the amount of $ 1,100,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated March 16, 1961 ~~(8)~~, and to mature September 14, 1961 ~~(9)~~, originally issued in the amount of $ 600,004,000 (including $100,000,000 to be issued June 14, 1961) ~~(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 15, 1961 ~~(13)~~, and to mature December 14, 1961 ~~(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 12, 1961 ~~(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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 7, 1961

FOR IMMEDIATE RELEASE

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Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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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 16, 1961, (91-days remaining until maturity date on September 14, 1961)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 15, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 15, 1961. 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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Richard S. Rosenbloom, Assistant Professor of Business Administration, Graduate School of Business Administration, Harvard University, a specialist in the field of management; and Robert V. Breen, Vice President, Carl Byoir and Associates, Inc., New York City, a public relations consultant.

The task force group will have its first meeting on Friday, June 9, 1961, at the Bureau of Customs in Washington. Commissioner Nichols, Treasury officials and Customs personnel will brief the group at that time. Members of the task force will serve without compensation.

oOo

measure to help correct our balance of payments deficit", Commissioner Nichols said. "I have asked a group of five outstanding citizens to make an independent study of what the Bureau of Customs can do to encourage foreign tourists to come to America, and, in particular, how we can combat smuggling and collect Customs revenues without unnecessarily deterring travel. ~~overcome any deterrents to travel which may arise out of our responsibilities to combat smuggling and collect Customs revenues~~. I look forward to receiving the comments and views of this task force group."

Joseph J. O'Connell, Jr., of the Washington law firm of Chapman, Walsh and O'Connell, a former Chairman of the Civil Aeronautics Board and General Counsel of the Treasury from 1944 to 1947, will be Chairman of the group. Serving with him will be Wilbur H. Ziehl, Administrative Assistant to the Director of the Bureau of the Budget, who as a former Deputy Commissioner of Customs has a wide understanding of Customs procedures and operations; Dr. Ivan C. Belknap, Head of the Department of Sociology, University of Texas, Austin, Texas, who will give special attention to the impact which Customs procedures might have on travel inducements among European and Asiatics;

TASK FORCE TO STUDY AFFECT OF CUSTOMS INSPECTIONS ON FOREIGN TOURIST TRAVEL

A five-man task force to study Customs baggage inspection procedures at United States ports of entry was named today by Commissioner of Customs Philip Nichols, Jr.

The group will seek to determine whether present Customs procedures and requirements are unnecessarily discouraging foreign tourists from traveling to the United States, and if so, make corrective recommendations.

For three months, during the peak of the tourist season beginning June 15, the task force will observe arrival of passengers at a number of major sea and air terminals and at principal entry points on the Canadian and Mexican borders. Baggage inspection operations at New York will be studied during the peak arrival season at that port, which runs from about mid-August to the middle of September

"President Kennedy directed the Department of Commerce, in cooperation with the Departments of State and Treasury, to devise new programs to encourage foreign travel in the United States as one

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 8, 1961

FOR IMMEDIATE RELEASE

TASK FORCE TO STUDY AFFECT OF CUSTOMS INSPECTIONS ON FOREIGN TOURIST TRAVEL

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Customs procedures might have on travel inducements among European and Asiatics; Richard S. Rosenbloom, Assistant Professor of Business Administration, Graduate School of Business Administration, Harvard University, a specialist in the field of management; and Robert V. Breen, Vice President, Carl Byoir and Associates, Inc., New York City, a public relations consultant.

The task force group will have its first meeting on Friday, June 9, 1961, at the Bureau of Customs in Washington. Commissioner Nichols, Treasury officials and Customs personnel will brief the group at that time. Members of the task force will serve without compensation.

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June 8, 1961

FOR RELEASE A. M. NEWSPAPERS, Friday, June 9, 1961.

RESULTS OF OFFERING OF $1.8 BILLION STRIP OF TREASURY BILLS

The Treasury Department announced last evening that tenders for additional amounts of eighteen series of Treasury bills to an aggregate amount of $1,800,000,000, or thereabouts, to be issued June 14, 1961, which were offered on June 2, were opened at the Federal Reserve Banks on June 8. The amount of accepted tenders will be equally divided among the eighteen regular weekly issues of outstanding Treasury bills maturing August 3, 1961, to November 30, 1961, inclusive. The details of the offering are as follows:

Total applied for - $4,671,774,000
Total accepted - 1,800,972,000 (includes $187,842,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

RANGE OF ACCEPTED COMPETITIVE BIDS:	Price	Approximate equivalent annual rate of discount based on 109.6 days (average number of days to maturity)
High	99.305	2.283%
Low	99.292	2.326%
Average	99.297	2.308% 1/

44 percent of the amount bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted
Boston	$ 176,148,000	$ 83,628,000
New York	2,293,254,000	652,176,000
Philadelphia	163,926,000	65,844,000
Cleveland	355,050,000	153,810,000
Richmond	117,144,000	33,840,000
Atlanta	128,322,000	55,296,000
Chicago	482,526,000	362,142,000
St. Louis	87,930,000	31,374,000
Minneapolis	121,194,000	72,144,000
Kansas City	80,046,000	40,212,000
Dallas	267,516,000	157,176,000
San Francisco	398,718,000	93,330,000
TOTALS	$4,671,774,000	$1,800,972,000

1/ On a coupon issue of the same length as the average for the bills and for the same amount invested, the return on these bills would provide a yield of 2.36%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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WASHINGTON, D.C.

June 8, 1961

FOR RELEASE A. M. NEWSPAPERS, Friday, June 9, 1961.

RESULTS OF OFFERING OF $1.8 BILLION STRIP OF TREASURY BILLS

The Treasury Department announced last evening that tenders for additional amounts of eighteen series of Treasury bills to an aggregate amount of $1,800,000,000, or thereabouts, to be issued June 14, 1961, which were offered on June 2, were opened at the Federal Reserve Banks on June 8. The amount of accepted tenders will be equally divided among the eighteen regular weekly issues of outstanding Treasury bills maturing August 3, 1961, to November 30, 1961, inclusive. The details of the offering are as follows:

Total applied for - $4,671,774,000
Total accepted - 1,800,972,000 (includes $187,842,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

RANGE OF ACCEPTED COMPETITIVE BIDS:	Price	Approximate equivalent annual rate of discount based on 109.6 days (average number of days to maturity)
High	99.305	2.283%
Low	99.292	2.326%
Average	99.297	2.308% 1/

44 percent of the amount bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted
Boston	$ 176,148,000	$ 83,628,000
New York	2,293,254,000	652,176,000
Philadelphia	163,926,000	65,844,000
Cleveland	355,050,000	153,810,000
Richmond	117,144,000	33,840,000
Atlanta	128,322,000	55,296,000
Chicago	482,526,000	362,142,000
St. Louis	87,930,000	31,374,000
Minneapolis	121,194,000	72,144,000
Kansas City	80,046,000	40,212,000
Dallas	267,516,000	157,176,000
San Francisco	398,718,000	93,330,000
TOTALS	$4,671,774,000	$1,800,972,000

On a coupon issue of the same length as the average for the bills and for the same amount invested, the return on these bills would provide a yield of 2.36%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1961

IMMEDIATE RELEASE

TREASURY DECISION ON CORNSTARCH UNDER ANTIDUMPING ACT

The Treasury Department has determined that cornstarch from West Germany is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Although it was found that there had been some sales at less than home market price, it was determined that the quantity involved was not more than insignificant. Assurance has been given that there will be no further sales at less than home market price. Notice of the determination will be published in the Federal Register.

Appraising officers are being instructed to proceed with the appraisement of this merchandise from West Germany without regard to any question of dumping.

The dollar value of imports of cornstarch from West Germany received during 1960 was approximately $216,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1961

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Appraising officers are being instructed to proceed with the appraisement of this merchandise from West Germany without regard to any question of dumping.

The dollar value of imports of cornstarch from West Germany received during 1960 was approximately $216,000.

UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1961 - March 31, 1961

(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 1961
Argentina	-90.0
BIS	-23.0
Chile	- 6.6
Denmark	-35.0
Germany (West)	-22.5
Italy	+100.0
Kuwait	- 9.8
Peru	- 5.0
Saudi Arabia	-10.0
Spain	-58.2
Switzerland	-54.9
United Kingdom	-150.0
Other	- 1.0
Total	-366.0

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1961

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS
FOR FIRST QUARTER OF 1961

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 1961. The net sale of monetary gold by the United States in this period amounted to $366 million.

A table showing net transactions, by country, for the first quarter of 1961 is printed on reverse side.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1961

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS
FOR FIRST QUARTER OF 1961

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D-132

UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1961 - March 31, 1961

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

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

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Argentina	-90.0
BIS	-23.0
Chile	- 6.6
Denmark	-35.0
Germany (West)	-22.5
Italy	+100.0
Kuwait	- 9.8
Peru	- 5.0
Saudi Arabia	-10.0
Spain	-58.2
Switzerland	-54.9
United Kingdom	-150.0
Other	- 1.0
Total	-366.0

June 12, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, June 13, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 16, 1961, and the other series to be dated June 15, 1961, which were offered on June 7, were opened at the Federal Reserve Banks on June 12. 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 14, 1961		:	182-day Treasury bills maturing December 14, 1961	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.428	2.263%	:	98.756	2.461%
Low	99.415	2.314%	:	98.736	2.500%
Average	99.420	2.295% 1/	:	98.740	2.492% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 30,462,000	$ 10,397,000	:	$ 3,175,000	$ 2,325,000
New York	1,458,146,000	689,363,000	:	934,341,000	360,123,000
Philadelphia	25,593,000	10,168,000	:	8,997,000	3,952,000
Cleveland	33,945,000	33,401,000	:	22,181,000	19,156,000
Richmond	9,798,000	9,748,000	:	1,561,000	1,211,000
Atlanta	23,392,000	18,467,000	:	3,864,000	3,310,000
Chicago	210,848,000	175,278,000	:	91,556,000	52,451,000
St. Louis	23,817,000	20,267,000	:	6,668,000	5,450,000
Minneapolis	20,023,000	19,523,000	:	6,667,000	4,937,000
Kansas City	35,962,000	32,962,000	:	12,540,000	7,337,000
Dallas	11,191,000	11,191,000	:	3,427,000	3,267,000
San Francisco	75,274,000	69,674,000	:	49,235,000	37,085,000
TOTALS	$1,958,451,000	$1,100,439,000 a/		$1,144,212,000	$500,604,000 b/

a/ Includes $205,903,000 noncompetitive tenders accepted at the average price of 99.420
b/ Includes $50,752,000 noncompetitive tenders accepted at the average price of 98.740
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.34%, for the 91-day bills, and 2.56%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 12, 1961

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ıNGE OF ACCEPTED)MPETITIVE BIDS:	91-day Treasury bills maturing September 14, 1961		182-day Treasury bills maturing December 14, 1961	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.428	2.263%	98.756	2.461%
Low	99.415	2.314%	98.736	2.500%
Average	99.420	2.295% 1/	98.740	2.492% 1/

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

)TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 30,462,000	$ 10,397,000	$ 3,175,000	$ 2,325,000
New York	1,458,146,000	689,363,000	934,341,000	360,123,000
Philadelphia	25,593,000	10,168,000	8,997,000	3,952,000
Cleveland	33,945,000	33,401,000	22,181,000	19,156,000
Richmond	9,798,000	9,748,000	1,561,000	1,211,000
Atlanta	23,392,000	18,467,000	3,864,000	3,310,000
Chicago	210,848,000	175,278,000	91,556,000	52,451,000
St. Louis	23,817,000	20,267,000	6,668,000	5,450,000
Minneapolis	20,023,000	19,523,000	6,667,000	4,937,000
Kansas City	35,962,000	32,962,000	12,540,000	7,337,000
Dallas	11,191,000	11,191,000	3,427,000	3,267,000
San Francisco	75,274,000	69,674,000	49,235,000	37,085,000
TOTALS	$1,958,451,000	$1,100,439,000 a/	$1,144,212,000	$500,604,000 b/

Includes $205,903,000 noncompetitive tenders accepted at the average price of 99.420
Includes $50,752,000 noncompetitive tenders accepted at the average price of 98.740
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.34%, for the 91-day bills, and 2.56%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 13, 1961

IMMEDIATE RELEASE

TREASURY DECISION ON GARLIC
UNDER ANTIDUMPING ACT

The Treasury Department has determined that garlic from Italy is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of garlic received from Italy during 1960 was approximately $684,000.

WASHINGTON, D.C.

June 13, 1961

IMMEDIATE RELEASE

TREASURY DECISION ON GARLIC
UNDER ANTIDUMPING ACT

The Treasury Department has determined that garlic from Italy is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of garlic received from Italy during 1960 was approximately $684,000.

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STATUTORY DEBT LIMITATION

AS OF May 31, 1961

June 14, 1961

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, 1960 (P.L. 86-564 86th Congress) provides that during the period beginning on July 1, 1960 and ending June 30, 1961, the above limitation ($285,000,000,000) shall be temporarily increased by $8,000,000,000.

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			$293,000,000,000
Outstanding-			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$38,410,558,000		
Certificates of indebtedness	13,338,019,000		
Treasury notes	56,245,737,000	$107,994,314,000	
Bonds-			
Treasury	80,849,231,650		
* Savings (current redemp. value)	47,461,102,559		
Depositary	119,475,500		
R.E.A. series	18,486,000		
Investment series	5,849,803,000	134,298,098,709	
Special Funds-			
Certificates of indebtedness	8,355,289,000		
Treasury notes	8,610,430,000		
Treasury bonds	27,537,385,000	44,503,104,000	
Total interest-bearing		286,795,516,709	
Matured, interest-ceased		345,987,144	
Bearing no interest:			
United States Savings Stamps	53,287,895		
Excess profits tax refund bonds	751,273		
Special notes of the United States:			
Internat'l Monetary Fund series	2,496,000,000		
~~Total~~ Int'l Develop.Ass'n	57,652,200	2,607,691,368	
Total		289,749,195,221	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds	224,663,950		
Matured, interest-ceased	732,475	225,396,425	
Grand total outstanding			289,974,591,646
Balance face amount of obligations issuable under above authority			3,025,408,354

Reconcilement with Statement of the Public Debt May 31, 1961 (Date)

(Daily Statement of the United States Treasury, May 31, 1961 (Date))

Outstanding-	
Total gross public debt	290,145,640,842
Guaranteed obligations not owned by the Treasury	225,396,425
Total gross public debt and guaranteed obligations	290,371,037,267
Deduct - other outstanding public debt obligations not subject to debt limitation	396,445,621
	289,974,591,646

*Maturity Value E, F, G, H, J and K

Unearned discount:

Series E Matured (extension)

Series E Unmatured (to maturity)

Series E Unmatured (extension)

Series F Unmatured

Series J (to maturity)

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STATUTORY DEBT LIMITATION

AS OF May 31, 1961

June 14, 1961

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, 1960 (P.L. 86-564 86th Congress) provides that during the period beginning on July 1, 1960 and ending June 30, 1961, the above limitation ($285,000,000,000) shall be temporarily increased by $8,000,000,000.

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Investment series	5,849,803,000	134,298,098,709	
Special Funds-			
Certificates of indebtedness	8,355,289,000		
Treasury notes	8,610,430,000		
Treasury bonds	27,537,385,000	44,503,104,000	
Total interest-bearing		286,795,516,709	
Matured, interest-ceased		345,987,144	
Bearing no interest:			
United States Savings Stamps	53,287,895		
Excess profits tax refund bonds	751,273		
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Internat'l Monetary Fund series	2,496,000,000		
~~Total~~ Int'l Develop. Ass'n	57,652,200	2,607,691,368	
Total		289,749,195,221	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds	224,663,950		
Matured, interest-ceased	732,475	225,396,425	
Grand total outstanding			289,974,591,646
Balance face amount of obligations issuable under above authority			3,025,408,354

Reconcilement with Statement of the Public Debt May 31, 1961
(Date)

(Daily Statement of the United States Treasury, May 31, 1961)
(Date)

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Total gross public debt	290,145,640,842
Guaranteed obligations not owned by the Treasury	225,396,425
Total gross public debt and guaranteed obligations	290,371,037,267
Deduct - other outstanding public debt obligations not subject to debt limitation	396,445,621
	289,974,591,646

*Maturity Value E, F, G, H, J and K

Unearned discount:

Series E Matured (extension)

Series E Unmatured (to maturity)

Series E Unmatured (extension)

Series F Unmatured

Series J (to maturity)

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 ~~(16)~~ or less for the additional bills dated March 23, 1961 ~~(17)~~, (90 ~~(18)~~ days remaining until maturity date on September 21, 1961 ~~(19)~~) and noncompetitive tenders for $100,000 ~~(20)~~ or less for the 181 ~~(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 23, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 23, 1961 ~~(23)~~. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

June 14, 1961

TREASURY'S WEEKLY BILL OFFERING

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 23, 1961, in the amount of $1,595,080,000, as follows:

90-day bills (to maturity date) to be issued June 23, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated March 23, 1961, and to mature September 21, 1961, originally issued in the amount of $600,181,000 / (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

181-day bills, for $500,000,000, or thereabouts, to be dated June 23, 1961, and to mature December 21, 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, Monday, June 19, 1961. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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June 14, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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 23, 1961, in the amount of $1,595,080,000, as follows:

90-day bills (to maturity date) to be issued June 23, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated March 23, 1961, and to mature September 21, 1961, originally issued in the amount of $600,181,000 (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

181-day bills, for $500,000,000, or thereabouts, to be dated June 23, 1961, and to mature December 21, 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, Monday, June 19, 1961. 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 23, 1961, (90-days remaining until maturity date on September 21, 1961) and noncompetitive tenders for $ 100,000 or less for the 181-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, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 23, 1961. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-136

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, 1961 - June 30, 1961

IMPORTS - April 1, 1961 - June 12, 1961

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	8,664,273	23,680,000	23,680,000	-		-	
Belgian Congo	-		-		-		5,440,000	5,438,847
Belgium and Luxemburg (total)	-		-		-		7,520,000	2,593,478
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	9,597,707	66,480,000	40,084,122	37,840,000	26,003,746
Italy	-		-		-		3,600,000	-
Mexico	-		36,880,000	36,880,000	70,480,000	61,071,830	6,320,000	1,188,826
Peru	16,160,000	6,113,982	12,880,000	6,765,085	35,120,000	22,739,370	3,760,000	1,977,384
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	15,206,648	-		-	
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
WEDNESDAY, JUNE 14, 1961

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D-136

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, 1961 - June 30, 1961

IMPORTS - April 1, 1961 - June 12, 1961

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	8,664,273	23,680,000	23,680,000	-		-	
Belgian Congo	-		-		-		5,440,000	5,438,847
Belgium and Luxemburg (total)	-		-		-		7,520,000	2,593,478
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	9,597,707	66,480,000	40,084,122	37,840,000	26,003,746
Italy	-		-		-		3,600,000	-
Mexico	-		36,880,000	36,880,000	70,480,000	61,071,830	6,320,000	1,188,826
Peru	16,160,000	6,113,982	12,880,000	6,765,085	35,120,000	22,739,370	3,760,000	1,977,384
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	15,206,648	-		-	
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
WEDNESDAY, June 14, 1961

D-137

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, 1960 - June 12, 1961

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-	Honduras	752	-
Peru	247,952	50,569	Paraguay	871	-
British India	2,003,483	-	Colombia	124	-
China	1,370,791	-	Iraq	195	-
Mexico	8,883,259	8,883,259	British East Africa ...	2,240	681
Brazil	618,723	618,721	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, 1960 - June 12, 1961

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	1,395,169
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, June 14, 1961

D-137

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, 1960 - June 12, 1961

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-	Honduras	752	-
Peru	247,952	50,569	Paraguay	871	-
British India	2,003,483	-	Colombia	124	-
China	1,370,791	-	Iraq	195	-
Mexico	8,883,259	8,883,259	British East Africa ...	2,240	681
Brazil	618,723	618,721	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, 1960 - June 12, 1961

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	1,395,169
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, 1960, to June 12, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1960 to June 12, 1961
United Kingdom	4,323,457	1,713,391	1,441,152	1,416,533
Canada	239,690	239,690	-	-
France	227,420	42,782	75,807	42,782
British India	69,627	-	-	-
Netherlands	68,240	21,442	22,747	21,442
Switzerland	44,388	-	14,796	-
Belgium	38,559	3,068	12,853	3,068
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	50,646	25,443	9,937
Italy	21,263		7,088	-
	5,482,509	2,071,019	1,599,886	1,493,762

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-138

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 May 28, 1961	Established Quota	Imports May 29, 1960, to May 28, 1961
	(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	2,040
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	3,817,040

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-138

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 May 28, 1961	Established Quota	Imports May 29, 1960, to May 28, 1961
	(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	2,040
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	3,817,040

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-139

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, 19 , as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1961, to June 12, 1961	Established Quota	Imports May 29, 1961, to June 12, 1961
	(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	168
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		5,168

TREASURY DEPARTMENT
Washington, D. C. 139

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961 D-139

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, 19 , as follows:

Country of Origin	Wheat: Established Quota	Wheat: Imports May 29, 1961, to June 12, 1961	Wheat flour, semolina, crushed or cracked wheat, and similar wheat products: Established Quota	Wheat flour, semolina, crushed or cracked wheat, and similar wheat products: Imports May 29, 1961, to June 12, 1961
	(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	168
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	3,815,168

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-140

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to June 3, 1961, 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 3, 1961
Buttons.............	765,000	Gross	115,053
Cigars..............	180,000,000	Number	2,197,737
Coconut oil.........	403,200,000	Pound	51,708,289
Cordage.............	6,000,000	Pound	1,839,806
Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-140

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to June 3, 1961, 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 3, 1961
Buttons.............	765,000	Gross	115,053
Cigars..............	180,000,000	Number	2,197,737
Coconut oil.........	403,200,000	Pound	51,708,289
Cordage.............	6,000,000	Pound	1,839,806
Tobacco.............	5,850,000	Pound	5,958,105

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 3, 1961
Absolute Quotas				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from Aug. 1, 1960	1,709,000	Pound	48,722*
Rye, rye flour, and rye meal.....	July 1, 1960-June 30, 1961			
	Canada	140,733,957	Pound	Quota Filled
	Other Countries	2,872,122	Pound	-
Butter substitutes, including butter oil, containing 45% or more butterfat.................	Calendar Year 1961	1,200,000	Pound	Quota Filled
Tung Oil........................	Feb. 1, 1961-Oct. 31, 1961			
	Argentina	18,770,577	Pound	8,177,355 *
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	-

* Imports through June 12, 1961.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961

D-141

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 3, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 3, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	244
Whole milk, fresh or sour.......	Calendar Year	3,000,000	Gallon	39
Cattle, 700 lbs. or more each (other than dairy cows)........	April 1, 1961- June 30, 1961	120,000	Head	4,044
Cattle less than 200 lbs. each..	12 mos. from April 1, 1961	200,000	Head	22,648
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	32,600,645	Pound	Quota Filled 1/
Tuna fish.......................	Calendar Year	57,114,714	Pound	20,035,659
White or Irish potatoes:				
Certified seed................	12 mos. from	114,000,000	Pound	63,969,855
Other.........................	Sept. 15, 1960	36,000,000	Pound	8,186,295
Peanut oil......................	July 1, 1960- May 4, 1961	80,000,000	Pound	1,440 2/
Walnuts.........................	Calendar Year	5,000,000	Pound	Quota Filled
Stainless steel table flatware (table knives, table forks, table spoons)................	Nov. 1, 1960- Oct. 31, 1961	69,000,000	Pieces	Quota Filled 3/

1/ Imports for consumption at the quota rate are limited to 16,300,322 pounds during the first six months of the calendar year.

2/ Effective May 5, 1961, quota limitations discontinued.

3/ Based on preliminary data; subject to adjustment.

(over)

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JUNE 14, 1961 D-141

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 3, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 3, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	244
Whole milk, fresh or sour.......	Calendar Year	3,000,000	Gallon	39
Cattle, 700 lbs. or more each (other than dairy cows)........	April 1, 1961- June 30, 1961	120,000	Head	4,044
Cattle less than 200 lbs. each..	12 mos. from April 1, 1961	200,000	Head	22,648
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	32,600,645	Pound	Quota Filled 1/
Tuna fish......................	Calendar Year	57,114,714	Pound	20,035,659
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	63,969,855
Other..........................	Sept. 15, 1960	36,000,000	Pound	8,186,295
Peanut oil.....................	July 1, 1960- May 4, 1961	80,000,000	Pound	1,440 2/
Walnuts........................	Calendar Year	5,000,000	Pound	Quota Filled
Stainless steel table flatware (table knives, table forks, table spoons)................	Nov. 1, 1960- Oct. 31, 1961	69,000,000	Pieces	Quota Filled 3/

1/ Imports for consumption at the quota rate are limited to 16,300,322 pounds during the first six months of the calendar year.

2/ Effective May 5, 1961, quota limitations discontinued.

3/ Based on preliminary data; subject to adjustment.

(over)

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 3, 196
Absolute Quotas				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from Aug. 1, 1960	1,709,000	Pound	48,722*
Rye, rye flour, and rye meal.....	July 1, 1960-June 30, 1961			
	Canada	140,733,957	Pound	Quota Filled
	Other Countries	2,872,122	Pound	-
Butter substitutes, including butter oil, containing 45% or more butterfat..................	Calendar Year 1961	1,200,000	Pound	Quota Filled
Tung Oil..........................	Feb. 1, 1961-Oct. 31, 1961			
	Argentina	18,770,577	Pound	8,177,355 *
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	-

* Imports through June 12, 1961.

7587

THE SECRETARY OF THE TREASURY
WASHINGTON

JUN 13 1961

Dear Mr. President:

In the President's Message to the Congress on Budget and Fiscal Policy of March 24, 1961, he urged the enactment of an increase in the debt limit that would provide sufficient flexibility to permit sound management of the debt and of our budget expenditures. He made no specific recommendation as to an appropriate new limit at that time, preferring to wait until we would have the advantage of later estimates of revenues and expenditures. Those estimates have now been made, and accordingly I am asking the Congress to raise the temporary limit on the public debt to $298 billion during the fiscal year 1962, as provided in the attached draft of legislation.

Under existing legislation, the current temporary ceiling of $293 billion expires on June 30, 1961, at which time the limit reverts to $285 billion. We expect the public debt to exceed $285 billion on that date, however, and over the course of the fiscal year 1962 seasonal factors will push the debt considerably above $290 billion, although a return to around the $290 billion level is anticipated by the close of fiscal 1962. These estimates are based on the assumption of a budget deficit of $3.7 billion during the fiscal year 1962, which makes an allowance for the additional spending that would result from enactment of the recommendations in the President's May 25 Message to the Congress on Urgent National Needs. The estimated budget deficit of $3.7 billion also assumes the President's requests for maintaining various excise tax rates and for providing increased postal rates and a self-sustaining highway program will receive favorable action.

To provide for contingencies, and to permit vitally needed elbow-room for the efficient management of the public debt, the debt limit must of course be placed higher than the expected high point of the debt during the fiscal year, as best as we can estimate it at this point. Failure to provide such a margin for flexibility would only force the Treasury into more costly debt financing procedures over the long run. By placing the temporary debt limit at $298 billion, some $3 billion above the high point of the debt expected within the fiscal year (based on the budget assumptions mentioned above), the attached draft of legislation would provide that necessary degree of operational flexibility.

I urge that the Congress give prompt and favorable attention to the enactment of this measure. A similar letter has been sent to the Speaker of the House.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this legislation to the Congress and that it is in accord with the program of the President.

Sincerely yours,

/s/ Douglas Dillon

Douglas Dillon

Honorable Lyndon B. Johnson
President of the Senate
Washington, D. C.

~~DRAFT 6-14-~~61

FOR IMMEDIATE RELEASE

TREASURY REQUESTS TEMPORARY RISE
IN NATIONAL DEBT LIMIT

Treasury Secretary Douglas Dillon has asked Congress to raise the temporary limit on the public debt to $298 billion during fiscal year 1962. Without legislative action, the current $293 billion limit would revert to $285 billion on June 30.

Treasury estimates of forthcoming revenues, expenditures, and its financing operations ~~expected~~ ANTICIPATED during the year beginning July 1, indicate the need for increasing the present upper limit of the debt by $5 billion. This means increasing the present temporary limit of $8 billion set by Congress last year to $13 billion over the "permanent" limit of $285 billion, Secretary Dillon said.

The Secretary's request was made in identical letters addressed to the President of the Senate Lyndon B. Johnson and to Speaker of the House Sam Rayburn. (copy ~~is~~ attached.)

L-142

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 14, 1961

FOR IMMEDIATE RELEASE

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D-142

THE SECRETARY OF THE TREASURY
WASHINGTON

JUN 13 1961

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Sincerely yours,

/s/ Douglas Dillon

Douglas Dillon

Honorable Lyndon B. Johnson
President of the Senate
Washington, D. C.

DEBT LIMITATION

UNDER SECTION 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED

HISTORY OF LEGISLATION

ACT		
	1917	
Sept. 24, 1917		
40 Stat. 288 ---	Sec. 1 authorized bonds in the amount of -----	$7,538,945,400 (a)
40 Stat. 290 ---	Sec. 5 authorized certificates of indebtedness outstanding (revolving authority) ----	4,000,000,000 (b)
	1918	
April 4, 1918		
40 Stat. 502 ---	amending Sec. 1, increased bond authority to--	12,000,000,000 (a)
40 Stat. 504 ---	amending Sec. 5, increased authority for certificates outstanding to ----------------	8,000,000,000 (b)
July 9, 1918		
40 Stat. 844 ---	amending Sec. 1, increased bond authority to--	20,000,000,000 (a)
	1919	
March 3, 1919		
40 Stat. 1311---	amending Sec. 5, increased authority for certificates outstanding to ----------------	10,000,000,000 (b)
40 Stat. 1309---	New Sec. 18 added, authorizing notes in the amount of ------------------------------	7,000,000,000 (a)
	1921	
Nov. 23, 1921		
42 Stat. 321 ---	amending Sec. 18, increased note authority to outstanding (establishing revolving authority) ---------------------------------	7,500,000,000 (b)
	1929	
June 17, 1929		
46 Stat. 19 ----	amending Sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding ----------	10,000,000,000 (b)
	1931	
March 3, 1931		
46 Stat. 1506---	amending Sec. 1, increased bond authority to--	28,000,000,000 (a)
	1934	
Jan. 30, 1934		
48 Stat. 343 ---	amending Sec. 18, increased authority for notes outstanding to -----------------------	10,000,000,000 (b)

ACT

1935

Feb. 4, 1935
49 Stat. 20 ---- amending Sec. 1, limited bonds outstanding (establishing revolving authority) to ------- $25,000,000,000 (b)

49 Stat. 21 ---- new Sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18). Same aggregate amount outstanding --------------- 20,000,000,000 (b)

49 Stat. 21 ---- new Sec. 22 added, authorizing United States Savings Bonds within authority of Sec. 1.

1938

May 26, 1938
52 Stat. 447 --- amending Sec. 1 and 21, consolidating in Sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to $30,000,000,000). Same aggregate total outstanding ----------- 45,000,000,000 (b)

1939

July 20, 1939
53 Stat. 1071--- amending Sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes -------------- 45,000,000,000 (b)

1940

June 25, 1940
54 Stat. 526 --- amending Sec. 21, adding new paragraph: "(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate $4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series'." ---------- 4,000,000,000 (c)

1941

Feb. 19, 1941
55 Stat. 7 ----- amending Sec. 21, limiting face amount of obligations issued under authority of Act outstanding at any one time to ------------- 65,000,000,000 (b)
Eliminates separate authority for $4 billion of National Defense Series obligations.

ACT		
	1942	
March 28, 1942 56 Stat. 189	--- amending Sec. 21, increased limitation to ---	$125,000,000,000 (b)
	1943	
April 11, 1943 57 Stat. 63	---- amending Sec. 21, increased limitation to ---	210,000,000,000 (b)
	1944	
June 9, 1944 58 Stat. 272	--- amending Sec. 21, increased limitation to ---	260,000,000,000 (b)
	1945	
April 3, 1945 59 Stat. 47	---- amending Sec. 21 to read: "The face amount of obligations issued under authority of this 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 $300,000,000,000 outstanding at any one time." ----------------------------	300,000,000,000 (b)
	1946	
June 26, 1946 60 Stat. 316	--- amending Sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation." and decreasing limitation to ------------------	275,000,000,000 (b)
	1954	
Aug. 28, 1954 68 Stat. 895	--- amending Sec. 21, effective August 28, 1954, and ending June 30, 1955, temporarily increasing limitation by $6 billion to -------	281,000,000,000 (b)
	1955	
June 30, 1955 69 Stat. 241	--- amending Aug. 28, 1954, Act by extending until June 30, 1956, increase in limitation to --	281,000,000,000 (b)

ACT		
	1956	
July 9, 1956 70 Stat. 519 --	amending Act of Aug. 28, 1954, temporarily increasing limitation by $3 billion for period beginning July 1, 1956, and ending June 30, 1957, to -------------------------	$278,000,000,000 (b)
	1957	
	Effective July 1, 1957, temporary increase terminates and limitation reverts, under Act of June 26, 1946, to ------------------	275,000,000,000 (b)
	1958	
Feb. 26, 1958 72 Stat. 27 ---	amending Sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by $5 billion to -------	280,000,000,000 (b)
Sept. 2, 1958 72 Stat. 1758 -	amending Sec. 21, increasing limitation to $283 billion, which, with temporary increase of Feb. 26, 1958, makes limitation --	288,000,000,000 (b)
	1959	
June 30, 1959 73 Stat. 156 --	amending Sec. 21, effective June 30, 1959, increasing limitation to $285 billion, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959 ----	290,000,000,000 (b)
	amending Sec. 21, temporarily increasing limitation by $10 billion for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959 ------------------------------	295,000,000,000 (b)
	1960	
June 30, 1960 74 Stat. 290 --	amending Sec. 21, for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by $8 billion to ----------------------------	293,000,000,000 (b)

(a) Limitation on issue.
(b) Limitation on outstanding.
(c) Limitation on issues less retirements.

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June 6, 1941

MEMORANDUM TO MR. MARTIN L. MOORE:

The following transactions were made in direct and guaranteed securities of the government for Treasury Investment and other accounts during the month of May:

Purchases..................	$ 289,986,800.00
Sales......................	265,816,000.00
Net Purchases......	$ 24,170,800.00

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 15 ~~May 15,~~ 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MAY ~~APRIL~~

During May ~~April~~ 1961, 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 24,170,800. $~~19,531,500.~~

oOo

~~D-108~~

D-143

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 15, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MAY

During May 1961, 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 $24,170,800.

oOo

D-143

TABLE II

Net Changes in Gold and Dollar Holdings

(official and private; millions of dollars)

	1958	1959	1960
Total, Foreign Countries ...	+ 3,927	+ 3,112	+ 3,120
Latin America	-268	-228	-335
Canada	+207	+208	+99
U.K. and Sterling Area ...	+878	+2	+939
Continental W. Europe	+2,876	+2,352	+1,908
Other Foreign Countries ..	+234	+778	+509
Japan	(+379)	(+471)	(+602)
Others	(-145)	(+307)	(-93)
International Institutions 1/	+451	+2,854	+1,053

1/ Beginning with 1959, includes changes in dollar holdings of international shipping companies operating under the flags of Liberia, Panama, Honduras and the Bahamas.

Table I

United States Balance of Payments
1958 - 60
(billions of dollars)

		1958	1959 1/	1960
	BASIC COMPONENTS			
1.	U. S. Payments - total	27.4	29.7	30.1
2.	Merchandise Imports	13.0	15.3	14.7
3.	Non-military Services	4.7	5.1	5.6
4.	Military Expenditures Abroad	3.4	3.1	3.0
5.	U. S. Direct & Portfolio Investment Abroad	2.5	2.3	2.5
6.	U. S. Govt. Grants & Credits (Gross)	3.1	3.0	3.4
7.	Pensions and Remittances	.7	.8	.8
8.	U. S. Receipts - total	23.9	25.3	28.2
9.	Merchandise Exports	16.3	16.3	19.4
	Non-military Services			
10.	Income on investments	2.9	3.0	3.2
11	Other	3.8	4.1	4.4
12	Military Sales	.3	.3	.3
13.	Foreign Direct & Portfolio Investment in U.S.	*	.6	.3
14.	Repayments to U. S. Govt.	.5	1.1	.6
15.	BASIC BALANCE (Deficit -)	-3.6	-4.3	-1.9
	OTHER COMPONENTS			
16.	U. S. Private Short-term Assets Abroad (increase -)	-.3	-.1	-1.3
17.	Unrecorded Inflow (+) or Outflow (-)	+.4	+.5	- .6
18.	OVERALL BALANCE (Deficit -)	-3.5	-3.9	-3.8

Note: Excludes military grant transactions. Details may not add to totals due to rounding.
*less than $50 million
1/ Excludes U. S. subscription of $1.4 billion to IMF

In that sense, the present role of New York, and thus of the United States, as the financial center for the world, carries great responsibilities and great opportunities. The further shaping of that role will clearly benefit from periodic review of the kind that Congress is initiating with the meetings beginning here today.

of imbalances, and the handling of excessive shifts of liquid funds, rather than a shortage of over-all liquidity. Indeed, in several countries the problem is to direct some of the excess liquidity into longer term finance through long term capital exports. New reserves injected into the present payments situation would simply move to the centers which already have excess reserves.

In the final analysis, there is no substitute for balance of payments discipline in this, or any, economy -- a discipline that reaches through our productivity performance, our price and wage performance, our governmental budgetary position, and our monetary and credit policies. Neither the force nor the form of this discipline is materially different for a reserve-currency country than for any other. But because of its position as the principal key-currency country, the United States does have a special position of prominence. The way in whi it acts to maintain the conditions for balance-of-payments equilibrium sets the pace for many other countries of the Western Alliance, all of whom use our currency in carrying on their trade, and in supporting their own monetary reserves.

made in the operations or resources of the IMF, [redacted]

However, I think it is fair to say that our efforts at the moment are directed toward strengthening the existing international framework, and improving the institutional arrangements for making more effective use of present world reserves.

There has been considerable public discussion, as you know, of proposals for fundamental changes in the international financial system. These proposals arise out of concern that over the longer-run, injections of international reserves may be needed to finance a growing volume of trade and financial transactions. Whether there in fact is likely to be a shortage of aggregate world liquidity sometime in the future, and specifically whether any such shortage will need to be corrected by creating an international currency to replace dollars (and sterling) as official reserves, are controversial questions on which there is as yet no agreement among economists. Therefore, although these questions need to be included in our continuing study and consideration of long-range monetary problems, they seem very unlikely to be matters of practical policy at the present time. Today our problem is the correction intercentral bank credits must supplement rather than replace the facilities provided by the IMF. In fact, there would seem to be considerable logic in an arrangement whereby central bank credits might in some part be repaid or refinanced through drawings on the Fund whenever the capital flows that had initially given rise to the interbank credits did not reverse themselves quickly enough to permit repayment by this means.

I should point out, however, that the Fund at the moment holds only moderate amounts of continental European and Japanese currencies, so that drawings of these currencies by the United States -- should such action ever seem desirable -- would in practice be restricted. For this reason among others, the United States is participating in exploratory discussions which we hope will lead to an agreement among the industrial countries to provide standby credits to supplement the Fund's resources of needed currencies. Many technical questions remain to be explored in this approach, but there seems to be increasing agreement on the need for standby facilities of this sort to deal with short-term capital flows.

I believe it would be premature at this time to go into detail on the technical aspects of any change that might be to acquire certain other convertible currencies in relatively small amounts during recent months. Whereas other countries have long been in a position to even out short-term influences on their currencies through sales or purchases of dollars, the United States, because it held no convertible currencies, had no similar option. Our decision to acquire small balances of foreign currencies is designed to eliminate or reduce this disparity. Henc eforth, in order to indicate clearly the increased strength and flexibility of our position, we expect to include holdings of convertible foreign exchange as well as gold in the reports of our monetary assets.

While it is too soon to judge the possibilities for lasting effectiveness of these actions in dealing with disturbances in the exchange markets, we have been highly pleased with the results of our operations thus far. Another implication of the experiences in Europe during March is that inter-central bank credits can play an important role in offsetting the destabilizing effects of speculative capital flows. I believe the various participants would agree, however, that conditions prevailing in the market. However, arrangements were worked out between the United States and Germany whereby a stabilizing influence could be exerted on the market. I might point out that although the recent official operations in the forward exchange market have been directed primarily at suppressing potential speculation on currency revaluations, essentially the same techniques can be used to exert an influence, upward or downward, on the covered interest incentive to move short-term investment funds from one market to another. It is our intention to conduct Similar operations in ~~an~~other major currenc~~y are~~ies whenever such action appears appropriate and useful. ~~also being initiated currently~~.

Aside from these operations in the forward market, the Treasury, through the facilities of the Federal Reserve System, and in cooperation with authorities abroad, has beg~~a~~un to acquire modest holdings of foreign exchange which could be sold in the spot market should the dollar again come under pressure. You will recall, for example, that we requested Germany to make some marks available to us temporarily at the time they agreed to prepay five hundred eighty seven million dollars ~~$587 million~~ of their official debt to the U. S. The Treasury has also taken advantage of opportunities agent as these new procedures were being developed. The particular techniques used are not so important, however, as the fact that ways were found to offset speculative capital flows of very large magnitude. What stands out, against the background of uneasiness prevailing last Autumn, is that the speculative flows which began in March at the time of the revaluations of the mark and the guilder did not precipitate any resumption of gold purchases by foreigners. Our monetary gold stock has actually increased by more than ~~$100~~ one hundred million dollars since the revaluations.

We have, meanwhile, initiated a number of measures designed to diminish the likelihood that speculation against the dollar might recur. Our decision to undertake limited operations in forward exchange markets represents one step in this direction.

The impact of the currency speculation during March did not confine itself to the markets for spot exchange. In the case of the German mark, for example, the premium on the forward mark rose to very high levels immediately following the revaluation. Had this premium been allowed to rise unchecked, it might well have aggravated the speculative

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The need to strengthen the international financial system and improve international financial cooperation was again dramatized recently by the speculative movements of capital that developed following the revaluations of the German mark and the Dutch guilder in early March. The methods employed on that occasion to contain these movements and prevent them from forcing either an undesirable and unnecessary change in exchange rates, or a reversion to the controls removed only after such painstaking struggle through the postwar years, were impressive. Even though no question concerning the standing of the dollar was directly involved in this latest speculative flurry, the techniques developed, and the lessons learned through the close day-by-day contact which we have maintained with various European monetary authorities during this period, will have lasting value to the United States.

I believe you will have an opportunity to explore ~~some~~ this subject further ~~[illegible]~~ tomorrow with the representatives of the Federal Reserve Bank of New York, whose operational contacts have been utilized on behalf of the Treasury as our fiscal where a small group of responsible officials can discuss questions of mutual interest and concern, and gain a practical grasp of the flexibility which exists in national policies to help discourage excessive or disequilibrating movements of liquid funds. These officials well realize that international financial considerations are only one of many objectives that must be taken into account in the over-all financial policy of a nation. Yet it is through the lessons learned last year and through consultations of this kind that progress has been made toward a better coordinated and more stable pattern of international interest rate relationships than was the case last year. These OECD meetings also afford an opportunity to keep the basic balance of payments situation under scrutiny, and the confrontation serves to keep both the surplus and deficit countries aware of their responsibilities to correct their positions. At the same time, the IMF is beginning regular consultations with convertible-currency countries, thus broadening the scope of these useful periodic reviews which previously had been largely confined to countries maintaining exchange restrictions.

interest on such investments, and in certain cases even im-posing a penalty on foreign balances. Similarly, in Germany ~~and the United Kingdom~~, short-term interest rates were reduced specifically with a view to the foreign effect. As a result, the differential between short-term rates here and abroad -- particularly after allowing for forward exchange cover -- has narrowed, and thus reduced considerably the interest ad-vantage of shifting funds abroad.

Although these measures were most helpful in alleviating the immediate problem posed by interest differentials, it was generally agreed that there was a need for continuing contact and discussion of international financial problems in order that steps might be taken before a potentially unstable situation got out of hand. The Federal Reserve, both on its own behalf and as fiscal agent of the Treasury, has been keeping in closer touch with monetary authorities in Europe. At the same time, the United States Government has taken the initiative in develop-ing a framework for close consultation with European authorities through the OEEC-OECD. A new working party on monetary and fiscal policies has been established as a subcommittee of the Economic Policy Committee of OEEC. It is meeting at four-to-six-week intervals in Paris, One of the most widely discussed experiments undertaken in this country involved the attempt to influence the structure of domestic interest rates through new techniques in the implementation of monetary and debt management policies. For several months now, the authorities have sought to achieve the seemingly contradictory goals of holding up short-term rates while enlarging the flow of funds into all forms of domestic investment in order to spur domestic recovery. On the whole, this venture has been gratifyingly successful thus far, both in limiting the interest incentive to transfer short-term funds abroad and in maintaining credit ease and encouraging monetary expansion at home.

In part, this has been made possible by the cooperation of other countries in an effort to reduce the volatility of short-term flows. This was most clearly seen in the measures taken by various European monetary authorities to reduce the attractiveness of their money market instruments to foreigners. In both Germany and Switzerland, for example, the authorities took administrative action to discourage foreign investments in their respective money markets by barring the payment of avoid

year, cannot help but strain the international financial system. Industrialized countries must work together closely to eliminate the basic imbalances that have developed during the past few years.

At the same time, it is also important that we continue our efforts to strengthen the international financial framework itself so that the danger from speculative capital movements -- generated by these imbalances -- may be minimized. I should like to turn now to some of the steps that have already been taken, both unilaterally and in cooperation with authorities abroad, to this end.

<u>Strengthening the International Financial System</u>

The problems that arose from the outflow of short-term funds during the second half of 1960, not only for the United States but also for the recipients of these funds, grew out of the conditions that have developed since the return to convertibility by most of the world's important currencies at the end of 1958. It quickly became clear that these new problems required new measures to deal with them.

The Administration's balance-of-payments measures were also designed to conform to this country's liberal commercial policy. We have ruled out the imposition of either trade or foreign exchange controls because such controls would, of course, be self-defeating -- particularly for a country of our relative importance in international transactions. ~~While~~ We have advocated the removal of special tax incentives to direct investment in developed countries overseas. It would clearly be to our own long-run disadvantage, as well as contrary to our principles, to impose general restraints on foreign investment ~~in general~~. Similarly, in the area of trade, our efforts have been aimed at inducing other countries and trading groups to eliminate discriminatory quotas and reduce tariffs on dollar exports, rather than imposing restrictions ourselves.

While the United States will continue to seek a solution to its balance of payments problem along lines that are consistent with its international obligations and policies, I cannot emphasize too strongly that the task will be exceedingly difficult without the fullest cooperation of the surplus countries. A continued accumulation of reserves, year after

At the same time, we ourselves have embarked on a broad program aimed at achieving a sustainable balance in our international payments within the next two years. The general outline of the proposed measures was described in the President's message to Congress of February 6, sixth, and I do not believe it is necessary to re-examine the whole program in detail at this time. I would, however, like to offer a few general observations.

First of all, these measures have been designed to avoid damage to our national security and to be consistent with our international obligations. For this reason, we have not proposed curtailment of our overall military or economic assistance programs. We have, however, carefully reviewed these programs and taken action to reduce their foreign exchange costs as much as possible. Both our military and our economic assistance programs are now being administered so as to place primary emphasis on procurement of U. S. goods and services. In fact, we estimate that more than two billion dollars of U. S. Government economic grants and credits were spent internally even in 1960.

counterpart of, United States deficits. Table ~~II~~ Two emphasizes the well-known fact that by far the largest part of excess U. S. expenditures abroad ~~have~~ had ended up -- directly or indirectly -- in the gold and dollar holdings of continental Western European countries. Japan, too, has accumulated sizeable balances during this period, though the increase in official reserves seems to have come to a halt recently. The large increase in the gold and dollar holdings of the sterling area during 1960 was more than accounted for by short-term capital inflows into the United Kingdom, and there has been some reverse flow in the last few months.

The point I wish to emphasize is that international imbalances are two-sided. The obligation to take effective action to bring about equilibrium in international accounts falls as heavily on surplus countries as it does on those incurring a deficit. The United States recognized this obligation and acted decisively during the earlier postwar period to alleviate the dollar shortage. Now that circumstances have changed, others must follow this example.

dollar, and thus eliminated a source of heavy pressure on our reserves. This changed atmosphere was reflected in the sharp swing in "unrecorded transactions" from a large negative figure in the latter part of last year to a small plus figure during the first quarter. On the other hand, foreign business firms, particularly in Japan and Germany, continued to borrow heavily from U. S. banks, with the result that recorded outflows of short-term capital continued at roughly the same rate as last year during the first three months of 1961 -- that is, close to ~~$2~~ two billion dollars a year on a seasonally adjusted basis. Therefore, even though there has been a significant improvement from the latter part of 1960, we must still keep an eye on short-term rates in this country so as not to encourage a resumption of sizeable money market investments abroad.

Before going on to discuss some of the steps that have been taken to deal both with the basic balance of payments problem and the unsettling effects of short-term capital movements, I think it would be useful to summarize the geographical distribution of gold and dollar gains during the past three years. In a very rough way, these gains reflect, and indeed are the

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foreigners to withdraw funds invested in the stock market, and enhanced the attractiveness to U. S. firms of direct investments abroad.

As the summer months progressed, and the earlier improvement in the trade balance was increasingly offset by these capital outflows, rumors began to appear in the exchange markets that even the dollar itself could not withstand continued deficits of the magnitude that had been experienced in the three preceding years. As a result, there was some liquidation of dollar holdings to avoid any risk from devaluation, with the result that speculative withdrawals of funds were added to the outflows already taking place in response to business incentives.

The wide differentials in money market rates which helped to activate the sizeable movements of short-term funds in 1960 have, for the most part, been considerably narrowed this year. Even more important, the President's unequivocal statements of our determination to maintain the present gold value of the dollar, together with his program for dealing with balance of payments deficits, have fully restored confidence in the improvement in our basic balance during 1960 was offset almost completely by outflows of short-term funds. Line 16 of the first table shows the rise of more than a billion dollars in this outflow last year. An additional strain was placed on our overall balance by the shift in unrecorded transactions (line 17) ~~(which many people associate with the speculative atmosphere which developed in the latter part of last year)~~ from a substantial inflow in 1959 to an outflow of more than half a billion dollars in 1960. These unrecorded transactions represent largely private transactions and much of last year's shift is clearly associated with the speculative atmosphere that developed last ...

While short-term capital movements are more difficult to analyze than changes in the basic components of our international accounts, it seems likely that much of the outflow, initially at least, was attributable to widening differentials in interest rates and credit availabilities between this country and other financial centers. Not only was there a substantial incentive to transfer funds to foreign money market instruments such as Treasury bills and bankers' acceptances, but the differential in bank lending rates also caused business borrowers to shift their source of financing from other countries to U. S. banks. At the same time, the unfavorable short-run prospects for capital appreciation in this country caused

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in other advanced countries with a recession in the United States. Therefore, since the progress of recovery in the United States will undoubtedly bring some increase in our imports, we must expect somewhat less favorable results during the second half of the year. Furthermore, even if we should achieve a basic balance this year, there is no assurance that this balance can be maintained in 1962. Certainly we cannot afford to depend on the recent combination of circumstances ~~that pre-~~ -- boom conditions in Europe and Japan side by side with [illegible] [illegible] in the United States -- ~~vailed in 1960 -- including the U. S. recession,~~ which ~~gave us~~ make for the widest possible trade surplus. It is essential, therefore, that we push forward with the President's balance-of-payments program in order to assure our ability to maintain balance in our international accounts over the longer run.

We must of course be concerned not only with policies that will strengthen our basic balance, but also with the development of measures ~~that will limit the size of~~ to cope with international short-term capital flows. While we must expect some transfers of funds between countries in response to differing commercial incentives, there is no economic justification for -- and potentially much harm from -- movements that begin to feed on themselves for speculative reasons. As you know, the considerable

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If you will look at line 15 of Table I, you will see that our basic deficit was very large in 1958, and increased still further in 1959. Last year, however, there was substantial improvement in the basic balance as exports picked up sharply and imports actually declined somewhat. In the first quarter of this year, moreover, exports remained at high levels while imports continued to fall slightly, with the result that we actually achieved a small surplus on these basic items.

While there are some indications that the recent improvement in our merchandise accounts reflects a strengthened U. S. competitive position -- for example, in the displacement of foreign automobile imports by domestically-produced compact models -- we cannot overlook the fact that much of the change was due to the conjunction of high levels of economic activity patterns of the world's major countries. Therefore, although the committee has indicated its desire to focus on the financial side of the international payments structure during the current hearings, I should like to begin by highlighting recent developments in this country's balance of payments with the rest of the world, relating these developments to the pressures that have arisen in the exchange markets. Against this background, I should then like to comment on the exchange market pressures themselves and some of the specific steps that have been taken to deal with them.

The U. S. Balance of Payments 1960 - 61

The problems which gave rise to the rapid gold outflow during the second half of 1960 had their roots in the unprecedentedly large balance of payments deficits incurred by the United States in both 1958 and 1959. In analyzing these deficits, we need to distinguish between what may be called the "basic" components of our payments accounts, and the short-term capital flows which, as we have seen, can have such an important impact on our overall position at any given time. It was partly to point up this distinction that I made arrangements several months ago to set up a special interdepartmental

~~CORRECTED DRAFT~~

STATEMENT OF THE HON. DOUGLAS DILLON, SECRETARY OF THE TREASURY BEFORE THE SUBCOMMITTEE ON INTERNATIONAL EXCHANGE AND PAYMENTS OF THE JOINT ECONOMIC COMMITTEE OF CONGRESS, MONDAY, JUNE 19, 1961, 10:00 A. M.

I appreciate this opportunity to appear before you this morning to discuss recent developments in the international payments structure. The Committee's review of these developments and its study of possible ways to improve present international monetary mechanisms is both timely and welcome.

The problems stemming from persistent imbalances in the international economy are of course not new -- they have been with us in one form or another throughout much of the postwar period. While the so-called "dollar shortage" of earlier years was recognized as a source of international instability, and policies were adopted by the United States specifically to deal with this problem, its effects were felt more directly by the rest of the world than they were by us. What is new is that the constraints imposed by our own recent balance of payments deficits -- most conspicuously evidenced in the decline of the U. S. gold stock -- have become a matter of direct public concern in this country.

Problems in the world's financial markets cannot be divorced from the underlying economic conditions and trade

D-144

TREASURY DEPARTMENT
Washington

June 19, 1961

For Release: Upon Delivery

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Problems in the world's financial markets cannot be divorced from the underlying economic conditions and trade patterns of the world's major countries. Therefore, although the committee has indicated its desire to focus on the financial side of the international payments structure during the current hearings, I should like to begin by highlighting recent developments in this country's balance of payments with the rest of the world, relating these developments to the pressures that have arisen in the exchange markets. Against this background, I should then like to comment on the exchange market pressures themselves and some of the specific steps that have been taken to deal with them.

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If you will look at line 15 of Table I, you will see that our basic deficit was very large in 1958, and increased still further in 1959. Last year, however, there was substantial improvement in the basic balance as exports picked up sharply and imports actually declined somewhat. In the first quarter of this year, moreover, exports remained at high levels while imports continued to fall slightly, with the result that we actually achieved a small surplus on these basic items.

While there are some indications that the recent improvement in our merchandise accounts reflects a strengthened U. S. competitive position -- for example, in the displacement of foreign automobile imports by domestically-produced compact models -- we cannot overlook the fact that much of the change was due to the conjunction of high levels of economic activity in other advanced countries with a recession in the United States. Therefore, since the progress of recovery in the United States will undoubtedly bring some increase in our imports, we must expect somewhat less favorable results during the second half of the year. Furthermore, even if we should achieve a basic balance this year, there is no assurance that this balance can be maintained in 1962. Certainly we cannot afford to depend on the recent combination of circumstances -- boom conditions in Europe and Japan side by side with recession in the United States -- which make for the widest possible trade surplus. It is essential, therefore, that we push forward with the President's balance-of-payments program in order to assure our ability to maintain balance in our international accounts over the longer run.

We must of course be concerned not only with policies that will strengthen our basic balance, but, also, with the development of measures to cope with international short-term capital flows. While we must expect some transfers of funds between countries in response to differing commercial incentives, there is no economic justification for -- and potentially much harm from -- movements that begin to feed on themselves for speculative reasons. As you know, the considerable improvement in our basic balance during 1960 was offset almost completely by outflows of short-term funds. Line 16 of the first table shows the rise of more than a billion dollars in this outflow last year. An additional strain was placed on our over-all balance by the shift in unrecorded transactions (line 17) from a substantial inflow in 1959 to an outflow of more than half a billion dollars in 1960. These unrecorded transactions represent largely private transactions and much of last year's shift is clearly associated with the speculative atmosphere that developed last fall.

While short-term capital movements are more difficult to analyze than changes in the basic components of our international accounts, it seems likely that much of the outflow, initially at least, was attributable to widening differentials in interest rates and credit availabilities between this country and other financial centers. Not only was there a substantial incentive to transfer funds to foreign money market instruments such as Treasury bills and bankers' acceptances, but the differential in bank lending rates also caused business borrowers to shift their source of financing from other countries to U. S. banks. At the same time, the unfavorable short-run prospects for capital appreciation in this country caused foreigners to contract their investments in the stock market, and enhanced the attractiveness to U. S. firms of direct investments abroad.

As the summer months progressed, and the earlier improvement in the trade balance was increasingly offset by these capital outflows, rumors began to appear in the exchange markets that even the dollar itself could not withstand continued deficits of the magnitude that had been experienced in the three preceding years. As a result, there was some liquidation of dollar holdings to avoid any risk from devaluation, with the result that speculative withdrawals of funds were added to the outflows already taking place in response to business incentives.

The wide differentials in money market rates which helped to activate the sizeable movements of short-term funds in 1960 have, for the most part, been considerably narrowed this year. Even more important, the President's unequivocal statements of our determination to maintain the present gold value of the dollar, together with his program for dealing with balance of payments deficits, have fully restored confidence in the dollar, and thus eliminated a source of heavy pressure on our reserves. This changed atmosphere was reflected in the sharp swing in "unrecorded transactions" from a large negative figure in the latter part of last year to a small plus figure during the first quarter. On the other hand, foreign business firms, particularly in Japan and Germany, continued to borrow heavily from U. S. banks, with the result that recorded outflows of short-term capital continued at roughly the same rate as the second half of last year during the first three months of 1961 -- that is, close to $2 billion a year on a seasonally adjusted basis. Therefore, even though there has been a significant improvement from the latter part of 1960, we must still keep an eye on short-term rates in this country so as not to encourage a resumption of sizeable money market investments abroad.

Before going on to discuss some of the steps that have been taken to deal both with the basic balance of payments problem and the unsettling effects of short-term capital movements, I think it would be useful to summarize the geographical distribution of gold and dollar gains during the past three years. In a very rough way, these gains reflect, and indeed are the counterpart of, United States deficits. Table II emphasizes the well-known fact that by far the largest part of excess U. S. expenditures abroad has ended up -- directly or indirectly -- in the gold and dollar holdings of continental Western European countries. Japan, too, has accumulated sizeable balances during this period, though the increase in official reserves seems to have come to a halt recently. The large increase in the gold and dollar holdings of the sterling area during 1960 was more than accounted for by short-term capital inflows into the United Kingdom, and there has been some reverse flow in the last few months.

The point I wish to emphasize is that international imbalances are two-sided. The obligation to take effective action to bring about equilibrium in international accounts falls as heavily on surplus countries as it does on those incurring a deficit. The United States recognized this obligation and acted decisively during the earlier postwar period to alleviate the dollar shortage. Now that circumstances have changed, others must follow this example.

At the same time, we ourselves have embarked on a broad program aimed at achieving a sustainable balance in our international payments within the next two years. The general outline of the proposed measures was described in the President's message to Congress of February 6, and I do not believe it is necessary to re-examine the whole program in detail at this time. I would, however, like to offer a few general observations.

First of all, these measures have been designed to avoid damage to our national security and to be consistent with our international obligations. For this reason, we have not proposed curtailment of our over-all military or economic assistance programs. We have, however, carefully reviewed these programs and taken action to reduce their foreign exchange costs as much as possible. Both our military and our economic assistance programs are now being administered so as to place primary emphasis on procurement of U. S. goods and services. In fact, we estimate that more than two billion dollars of U. S. Government economic grants and credits were spent internally even in 1960.

The Administration's balance-of-payments measures were also designed to conform to this country's liberal commercial policy. We have ruled out the imposition of either trade or foreign exchange controls because such controls would, of course, be self-defeating -- particularly for a country of our relative importance in international transactions. We have advocated the removal of special tax incentives to direct investment in developed countries overseas. It would clearly be to our own long-run disadvantage, as well as contrary to our principles, to impose general restraints on foreign investment. Similarly, in the area of trade, our efforts have been aimed at inducing other countries and trading groups to eliminate discriminatory quotas and reduce tariffs on dollar exports, rather than imposing restrictions ourselves.

While the United States will continue to seek a solution to its balance of payments problem along lines that are consistent with its international obligations and policies, I cannot emphasize too strongly that the task will be exceedingly difficult without the fullest cooperation of the surplus countries. A continued accumulation of reserves, year after year, cannot avoid straining the international financial system. Industrialized countries must work together closely to eliminate the basic imbalances that have developed during the past few years.

At the same time, it is also important that we continue our efforts to strengthen the international financial frame-work itself so that the danger from speculative capital movements -- generated by these imbalances -- may be minimized. I should like to turn now to some of the steps that have already been taken, both unilaterally and in cooperation with authorities abroad, to this end.

Strengthening the International Financial System

The problems that arose from the outflow of short-term funds during the second half of 1960, not only for the United States but also for the recipients of these funds, grew out of the conditions that have developed since the return to convertibility by most of the world's important currencies at the end of 1958. It quickly became clear that these new problems required new measures to deal with them.

One of the most widely discussed experiments undertaken in this country involved the attempt to influence the structure of domestic interest rates through new techniques in the implementation of monetary and debt management policies. For several months now, the authorities have sought to achieve the seemingly contradictory goals of holding up short-term rates while enlarging the flow of funds into all forms of domestic investment in order to spur domestic recovery. On the whole, this venture has been gratifyingly successful thus far, both in limiting the interest incentive to transfer short-term funds abroad and in maintaining credit ease and encouraging monetary expansion at home.

In part, this has been made possible by the cooperation of other countries in an effort to reduce the volatility of short-term flows. This was most clearly seen in the measures taken by various European monetary authorities to reduce the attractiveness of their money market instruments to foreigners. In both Germany, and Switzerland, for example, the authorities took administrative action to discourage foreign investments in their respective money markets by barring the payment of interest on such investments, and in certain cases even imposing a penalty on foreign balances. Similarly, in Germany short-term interest rates were reduced specifically with a view to the foreign effect. As a result, the differential between short-term rates here and abroad -- particularly after allowing for forward exchange cover -- has narrowed, and thus reduced considerably the interest advantage of shifting funds abroad.

Although these measures were most helpful in alleviating the immediate problem posed by interest differentials, it was generally agreed that there was a need for countinuing contact and discussion of international financial problems in order that steps might be taken before a potentially unstable situation got out of hand. The Federal Reserve, both on its own behalf and as fiscal agent of the Treasury, has been keeping in closer touch with monetary authorities in Europe. At the same time, the United States Government has taken the initiative in developing a frame-work for close consultation with European authorities through the Organization for European Economic Cooperation-Organization for Economic Cooperation and Development. A new working party on monetary and fiscal policies has been established as a subcommittee of the Economic Policy Committee of OEEC. It is meeting at four-to-six week intervals in Paris, where a small group of responsible officials can discuss questions of mutual interest and concern, and gain a practical grasp of the flexibility which exists in national policies to help discourage excessive or disequilibrating movements of liquid funds. These officials well realize that international financial considerations are only one of many objectives that must be taken into account in the over-all financial policy of a nation. Yet it is through the lessons learned last year and through consultations of this kind that progress has been made toward a better coordinated and more stable pattern of international interest rate relationships than was the case last year. These OECD meetings also afford an opportunity to keep the basic balance of payments situation under scrutiny, and the confrontation serves to keep both the surplus and deficit countries aware of their responsibilities to correct their positions. At the same time, the International Monetary Fund is beginning regular consultations with convertible-currency countries, thus broadening the scope of these useful periodic reviews which previously had been largely confined to countries maintaining exchange restrictions.

The need to strengthen the international financial system and improve international financial cooperation was again dramatized recently by the speculative movements of capital that developed following the revaluations of the German mark and the Dutch guilder in early March. The methods employed on that occasion to contain these movements and prevent them from forcing either an undesirable and unnecessary change in exchange rates, or a reversion to the controls removed only after such painstaking struggle through the postwar years, were impressive. Even though no question concerning the standing of the dollar was directly involved in this latest speculative flurry, the techniques developed, and the lessons learned through the close day-by-day contact which we have maintained with various European monetary authorities during this period, will have lasting value to the United States.

I believe you will have an opportunity to explore this subject further tomorrow with the representatives of the Federal Reserve Bank of New York, whose operational contacts have been utilized on behalf of the Treasury as our fiscal agent as these new procedures were being developed. The particular techniques used are not as important, however, as the fact that ways were found to offset speculative capital flows of very large magnitude. What stands out, against the background of uneasiness prevailing last Autumn, is that the speculative flows which began in March at the time of the revaluations of the mark and the guilder did not precipitate any resumption of gold purchases by foreigners. Our Treasury gold stock has actually increased by more than $100 million since the revaluations.

We have, meanwhile, initiated a number of measures designed to diminish the likelihood that speculation against the dollar might recur. Our decision to undertake limited operations in forward exchange markets represents one step in this direction.

The impact of the currency speculation during March did not confine itself to the markets for spot exchange. In the case of the German mark, for example, the premium on the forward mark rose to very high levels immediately following the revaluation. Had this premium been allowed to rise unchecked, it might well have aggravated the speculative conditions prevailing in the market. However, arrangements were worked out between the United States and Germany whereby a stabilizing influence could be exerted on the market. It is our intention to conduct similar operations in other major currencies whenever such action appears appropriate and useful. I might point out that although the recent official operations in the forward exchange market have been directed primarily at suppressing potential speculation on currency revaluations, essentially the same techniques can be used to exert an influence, upward or downward, on the covered interest incentive to move short-term investment funds from one market to another.

Aside from these operations in the forward market, the Treasury, through the facilities of the Federal Reserve System, and in cooperation with authorities abroad, has begun to acquire modest holdings of foreign exchange which could be sold in the spot market should the dollar again come under pressure. You will recall, for example, that we requested Germany to make some marks available to us temporarily at the time they agreed to prepay $587 million of their official debt to the United States. The Treasury has also taken advantage of opportunities to acquire certain other convertible currencies in relatively small amounts during recent months. Whereas other countries have long been in a position to even out short-term influences on their currencies through sales or purchases of dollars, the United States, because it held no convertible currencies, had no similar option. Our decision to acquire small balances of foreign currencies is designed to eliminate or reduce this disparity. Henceforth, in order to indicate clearly the increased strength and flexibility of our position, we expect to include holdings of convertible foreign exchange as well as gold in the reports of our monetary assets.

While it is too soon to judge the possibilities for lasting effectiveness of these actions in dealing with disturbances in the exchange markets, we have been highly pleased with the results of our operations thus far. Another implication of the experiences in Europe during March is that inter-central bank credits can play an important role in offsetting the destabilizing effects of speculative capital flows. I believe the various participants would agree,however, that inter-central bank credits must supplement rather than replace the facilities provided by the International Monetary Fund. In fact, there would seem to be considerable logic in an arrangement whereby central bank credits might in some part be repaid or refinanced through drawings on the Fund whenever the capital flows that had initially given rise to the interbank credits did not reverse themselves quickly enough to permit repayment by this means.

I should point out, however, that the Fund at the moment holds only moderate amounts of continental European and Japanese currencies, so that drawings of these currencies by the United States -- should such action ever seem desirable -- would in practice be restricted. For this reason among others, the United States is participating in exploratory discussions which we hope will lead to an agreement among the industrial countries to provide standby credits to supplement the Fund's resources of needed currencies. Many technical questions remain to be explored in this approach, but there seems to be increasing agreement on the need for standby facilities of this sort to deal with short-term capital flows.

I believe it would be premature at this time to go into detail on the technical aspects of any change that might be made in the operations or resources of the International Monetary Fund. However, I think it is fair to say that our efforts at the moment are directed toward strengthening the existing international frame-work, and improving the institutional arrangements for making more effective use of present world reserves.

There has been considerable public discussion, as you know, of proposals for fundamental changes in the international financial system. These proposals arise out of concern that over the longer-run, injections of international reserves may be needed to finance a growing volume of trade and financial transactions. Whether there in fact is likely to be a shortage of aggregate world liquidity sometime in the future, and specifically whether any such shortage will need to be corrected by creating an international currency to replace dollars (and sterling) as official reserves, are controversial questions on which there is as yet no agreement among economists. Therefore, although these questions need to be included in our continuing study and consideration of long-range monetary problems, they seem very unlikely to be matters of practical policy at the present time. Today our problem is the correction of imbalances, and the handling of excessive shifts of liquid funds, rather than a shortage of over-all liquidity. Indeed, in several countries the problem is to direct some of the excess liquidity into longer term finance through long term capital exports. New reserves injected into the present payments situation would simply move to the centers which already have excess reserves.

In the final analysis, there is no substitute for balance of payments discipline in this, or any, economy -- a discipline that reaches through our productivity performance, our price and wage performance, our governmental budgetary position, and our monetary and credit policies. Neither the force nor the form of this discipline is materially different for a reserve-currency country than for any other. But because of its position as the principal key-currency country, the United States does have a special position of prominence. The way in which it acts to maintain the conditions for balance-of-payments equilibrium sets the pace for many other countries of the Western Alliance, all of whom use our currency in carrying on their trade, and in supporting their own monetary reserves. In that sense, the present role of New York, and thus of the United States, as the financial center for the world, carries great responsibilities and great opportunities. The further shaping of that role will clearly benefit from periodic review of the kind that Congress is initiating with the meetings beginning here today.

Table I

United States Balance of Payments
1958 - 60
(billions of dollars)

		1958	1959 1/	1960	First Quarter 1961 (Seasonally Adjusted)
	BASIC COMPONENTS				
1.	U. S. Payments - total	27.4	29.7	30.1	7.2
2.	Merchandise Imports	13.0	15.3	14.7	3.4
3.	Non-military Services	4.7	5.1	5.6	1.4
4.	Military Expenditures Abroad	3.4	3.1	3.0	.8
5.	U. S. Direct & Portfolio Investment Abroad	2.5	2.3	2.5	.5
6.	U. S. Govt. Grants & Credits (Gross)	3.1	3.0	3.4	1.0
7.	Pensions and Remittances	.7	.8	.8	.2
8.	U. S. Receipts - total	23.9	25.3	28.2	7.3
9.	Merchandise Exports	16.3	16.3	19.4	5.0
	Non-military Services				
10.	Income on investments	2.9	3.0	3.2	.9
11.	Other	3.8	4.1	4.4	1.1
12.	Military Sales	.3	.3	.3	.1
13.	Foreign Direct & Portfolio Investment in U.S.	*	.6	.3	.1
14.	Repayments to U.S. Government	.5	1.1	.6	.1
15.	BASIC BALANCE (Deficit -)	-3.6	-4.3	-1.9	+.2
	OTHER COMPONENTS				
16.	U. S. Private Short-term Assets Abroad (increase -)	-.3	-.1	-1.3	-.5
17.	Unrecorded Inflow (+) or Outflow (-)	+.4	+.5	- .6	+.1
18.	OVER-ALL BALANCE (Deficit -)	-3.5	-3.9	-3.8	-.3

Note: Excludes military grant transactions. Details may not add to totals due to rounding.
*less than $50 million.
1/ Excludes U. S. subscription of $1.4 billion to IMF.

TABLE II

Net Changes in Gold and Dollar Holdings

(official and private; millions of dollars)

	1958	1959	1960
Total, Foreign Countries ...	+ 3,927	+ 3,112	+ 3,120
Latin America	-268	-228	-335
Canada	+207	+208	+99
U.K. and Sterling Area ...	+878	+2	+939
Continental W. Europe	+2,876	+2,352	+1,908
Other Foreign Countries ..	+234	+778	+509
Japan	(+379)	(+471)	(+602)
Others	(-145)	(+307)	(-93)
International Institutions 1/	+451	+2,854	+1,053

1/ Beginning with 1959, includes changes in dollar holdings of international shipping companies operating under the flags of Liberia, Panama, Honduras and the Bahamas.

June 19, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, June 20, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 23, 1961, and the other series to be dated June 23, 1961, which were offered on June 14, were opened at the Federal Reserve Banks on June 19. Tenders were invited for $1,100,000,000, or thereabouts, of 90-day bills and for $500,000,000, or thereabouts, of 181-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing September 21, 1961		181-day Treasury bills maturing December 21, 1961	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.425	2.300%	98.744	2.498%
Low	99.415	2.340%	98.730	2.526%
Average	99.419	2.325% 1/	98.733	2.519% 1/

32 percent of the amount of 90-day bills bid for at the low price was accepted
65 percent of the amount of 181-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 37,871,000	$ 17,701,000	$ 5,112,000	$ 4,962,000
New York	1,425,965,000	591,537,000	823,715,000	382,915,000
Philadelphia	23,410,000	8,410,000	9,940,000	4,908,000
Cleveland	39,577,000	34,577,000	23,996,000	13,876,000
Richmond	10,864,000	10,371,000	3,398,000	2,548,000
Atlanta	20,817,000	16,542,000	6,574,000	4,869,000
Chicago	276,623,000	228,923,000	94,191,000	46,396,000
St. Louis	37,868,000	35,868,000	6,483,000	5,629,000
Minneapolis	16,998,000	11,478,000	5,758,000	3,258,000
Kansas City	50,567,000	41,847,000	19,164,000	12,329,000
Dallas	16,493,000	13,713,000	4,555,000	3,980,000
San Francisco	98,444,000	89,904,000	24,194,000	15,044,000
TOTALS	$2,055,497,000	$1,100,871,000 a/	$1,027,060,000	$500,714,000 b/

a/ Includes $232,919,000 noncompetitive tenders accepted at the average price of 99.419
b/ Includes $61,629,000 noncompetitive tenders accepted at the average price of 98.733
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.37% for the 90-day bills, and 2.59%, for the 181-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 19, 1961

R RELEASE A. M. NEWSPAPERS, Tuesday, June 20, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of easury bills, one series to be an additional issue of the bills dated March 23, 1961, d the other series to be dated June 23, 1961, which were offered on June 14, were ened at the Federal Reserve Banks on June 19. Tenders were invited for $1,100,000,000, thereabouts, of 90-day bills and for $500,000,000, or thereabouts, of 181-day bills. e details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	90-day Treasury bills maturing September 21, 1961		181-day Treasury bills maturing December 21, 1961	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.425	2.300%	98.744	2.498%
Low	99.415	2.340%	98.730	2.526%
Average	99.419	2.325% 1/	98.733	2.519% 1/

32 percent of the amount of 90-day bills bid for at the low price was accepted
65 percent of the amount of 181-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 37,871,000	$ 17,701,000	$ 5,112,000	$ 4,962,000
New York	1,425,965,000	591,537,000	823,715,000	382,915,000
Philadelphia	23,410,000	8,410,000	9,940,000	4,908,000
Cleveland	39,577,000	34,577,000	23,996,000	13,876,000
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TOTALS	$2,055,497,000	$1,100,871,000 a/	$1,027,080,000	$500,714,000 b/

Includes $232,919,000 noncompetitive tenders accepted at the average price of 99.419
Includes $61,629,000 noncompetitive tenders accepted at the average price of 98.733
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.37% for the 90-day bills, and 2.59%, for the 181-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT
Washington

June 20, 1961

For Release: P. M. Newspapers

ADDRESS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE NATIONAL PRESS CLUB, WASHINGTON, D. C.
TUESDAY, JUNE 20, 1961, 12:30 P. M., EDT.

The state of our Nation's finances is currently the subject of considerable public debate. So is the fiscal outlook for the future. Perhaps I can make a useful contribution to this discussion by setting forth the Treasury's views on these and related matters.

At the outset, let me say that I believe we have four basic national economic goals. I further believe that they must all be pursued simultaneously.

First, we seek an economy that grows steadily and rapidly.

The attainment of this first and most important goal is essential to the realization of our second objective, which is full employment for our steadily expanding labor force. We cannnot tolerate the levels of unemployment that have characterized the past few years.

Our third goal is reasonable price stability. This has always been important in protecting pensioners and others on fixed incomes. It is doubly important today. For we cannot keep our international payments in balance unless we are competitive in foreign markets. At the very least, this calls for price stability and the reflection in price cuts of some portion of our annual increases in productivity.

Our fourth goal is a tax system which assesses the tax burden fairly and reasonably in accordance with ability to pay.

The achievement of these goals should, in turn, produce a budget surplus that would both permit us to reduce our national debt and to provide funds for the expansion of private business and industry. For when the economy is growing steadily and rapidly, with unemployment reduced to acceptable levels, the retirement of our national debt places tax money in the hands of investors -- money which they can and will use for further investment in the private sector.

Unfortunately, as I have said on an earlier occasion, we have not yet mastered the art of maintaining steady growth at full capacity. Our economy is still plagued by ups and downs. Although we have made substantial progress in terms of preventing major depressions, we still suffer periodically from periods of recession when growth slows to a halt and unemployment mounts rapidly. However, although we still have a great deal to learn on the preventive side, we have learned how to slow a decline and how to initiate recovery by using the "automatic stabilizers" we have built into our economy. It is largely thanks to these "stabilizers" that our recessions of the past decade have been so much more moderate than the wrenching depressions of pre-World War II days.

These "automatic stabilizers" so generally credited with softening our recent economic declines, are:

First, an automatic and rapid decrease in tax yields, as corporate profits and employment decline.

Second, a prompt build up of unemployment compensation and retirement payments as jobs grow harder to find and to hold.

Their effect is automatically to increase government outpayments and decrease government receipts. The result is a deficit which helps to arrest the economic decline.

The "automatic stabilizers" have been operating since last Fall. We can largely thank the stimulating effects of their action for the mildness of the recession. It is also due to their action that we are facing a substantial budgetary deficit this fiscal year.

Now, let us look for a moment at tax receipts:

When the budget for fiscal year 1961 was first submitted, Federal revenues were estimated at $84 billion. This included certain inter-Governmental transactions and receipts from the Unemployment Tax, which, because of a change in Government bookkeeping procedures last December, are no longer carried on the receipt side of the ledger. Therefore, in order to make the original estimate comparable with current estimates, we should adjust the earlier revenue figure of $84 billion down to $82.9 billion.

The recession which no one in or out of Government foresaw at the end of 1959, has now reduced revenues to a point well short of this adjusted estimate. If we eliminate the windfall receipt of the $500 million advance repayment of the German post-war debt, fiscal year 1961 revenues will be about $77.7 billion, a drop of $5.2 billion.

Our obligation to help ease the effects of the recession upon our less fortunate citizens will also add to this year's deficit. The bulk of unemployment compensation is financed from trust funds and is therefore not reflected in the budget. However, the provisions in our permanent legislation for those out of work six months or longer are clearly inadequate. This Spring -- just as in 1958 -- we had to enact temporary legislation to care for their urgent needs. The budget expenditures called for by this temporary legislation will add approximately a half-billion dollars to the deficit this fiscal year.

So you can see that our two "automatic stabilizers", while helping to halt the recession, were also responsible for a swing of $5.7 billion toward a budgetary deficit.

This swing, coupled with substantial increases in the rate of defense expenditures, minor increases in other expenditures, plus Congressional failure to increase postal rates, has led us to a deficit for this fiscal year that will approach $3 billion. Since this deficit contributed substantially to halting the recession, it was entirely appropriate in the circumstances.

The alternative -- of reducing government expenditures to match reduced revenues -- would not only have meant no temporary unemployment compensation, but also a substantial addition to the unemployment rolls as Government programs were curtailed ..... to say nothing of the damage to our national security caused by the defense cutbacks that would have been required.

Let me underscore this point: reductions in expenditures to match reduced revenues would have increased the severity of the recession, enlarged unemployment, and thereby further reduced our revenues. We would have found ourselves in a deflationary spiral that could easily have lead to a severe and prolonged economic depression.

In actual fact, this alternative was so clearly unacceptable that there has been little responsible complaint about the deficit for the current fiscal year. There has, however, been considerable concern about the deficit of some $3.7 billion which we face in the coming fiscal year. This reaction is perfectly understandable. For recovery is well under way. It is probable that by this time next year our economy will be rolling in high gear. We may well be in the midst of an economic boom.

Why, then, another deficit?

The reason is simple: The corporate taxes we will collect in the coming fiscal year will be based on calendar year 1961 profits. Personal income collections above the withholding rate will also be largely based on 1961 results.

The first quarter of 1961 marked the very bottom of the recession. Corporate profits ran a full 20 percent behind the previous year's rate. While it is true that business is showing signs of a strong recovery, corporate profits in the current quarter will probably not exceed those of the comparable period last year. So, even with a substantial upturn in the second half of the year, we shall be doing well if corporate profits equal their 1960 rate. Consequently, the revenues the Government can count on for fiscal year 1962 will still be at recession levels. In fact, they will be considerably less than the revenues originally forecast for the current fiscal year.

Meanwhile, expenditures must keep pace with our ever growing population and our mounting national needs. This makes a deficit inevitable if we are to meet our urgent requirements in defense, in space, in education, in housing, in transportation, and in the international field.

With recovery on the march, however, we plan to incur only those expenditures that are essential to our long range national security and to the well-being of our people. There is no need for emergency programs to stimulate the economy. None has been proposed. On the contrary, the President has urged the Congress not to add to his legislative proposals. He has also urged the enactment of badly needed revenue-raising programs, particularly in the postal field. The enactment of a fair and long needed increase in postal rates is essential if we are to hold the deficit to the reasonable figure we have foreseen. Those who fear for the fiscal soundness of our government would do well to direct their energies to bringing about an upward adjustment in postal rates.

I recognize the concern of those who fear that a budget deficit next year may be inflationary. The great majority of those who express this concern acknowledge that a reasonable budget deficit in time of recession can help to halt the downturn -- as has been the case this year. So it is not the budget deficit per se that worries them. It is, rather, a deficit incurred during a period of economic expansion such as we now anticipate. They fear that any deficit during a period of growth may set in motion the forces of inflation. However, in the light of current economic prospects, such fears are not justified.

Inflation falls roughly into two categories:

The first is the type we have lived with over the past decade, known as "cost-push," or wage-price inflation. It is a gradual process that comes about whenever prices and wages are increased more rapidly than is warranted by growth in productivity. The threat of this type of inflation is always with us. It is greater in good times than in bad, because in good times both management and labor are tempted to increase prices and wages at the expense of consumers whose resistance has been lessened by prosperity.

This type of inflation is particularly dangerous today in the light of our balance of payments problem and the imperative need to keep our products competitive with foreign products, at home and abroad. The President has repeatedly appealed to both labor and management to exercise restraint in their wage-price actions and to keep in mind at all times the over-all national interest. It was to help in this effort that he created the President's Labor-Management Advisory Committee. While the danger of this type of inflation is real and ever-present, it operates outside of budgetary influences.

The second -- and classical -- type of inflation is "supply-demand" inflation. This occurs whenever demand outruns supply. If more money becomes available to buy the same volume of goods, prices simply rise. This is inflation of the type which twice in this century totally destroyed the value of the German mark. This is the type of inflation which is influenced by budgetary action.

We need have no fear that a budget deficit such as we envision for next year will bring with it the threat of this classic kind of inflation. For we are no longer in a time of shortages. There is unusual -- and under-utilized -- capacity everywhere in our land today: in steel, in autos, in housing, in textiles, in chemicals -- indeed, everywhere we look. We also -- and unfortunately -- are under-utilizing our labor force, which stands ready and willing to operate the unused capacity of our industrial plant. Next year's budgetary deficit will of course stimulate demand. But it will be a demand that can and will be met by the use of presently unemployed labor and plant. Rather, therefore, than creating inflationary pressures, the $3.7 billion deficit we anticipate in fiscal year 1962 will be helpful in putting our unused plant capacity and labor force to work.

When we evaluate the coming deficit for fiscal 1962, we should look back to fiscal year 1959, when the country faced an identical economic situation. The upturn from an earlier low started in the spring of 1958. The entire fiscal year 1959 was one of substantial recovery. Yet the deficit reached the staggering figure of over $12 billion -- more than three times the deficit presently in sight for next year. It is clear that there is nothing unusual about a deficit in the year immediately following a period of recession.

It is with all this in mind -- reduced recession revenues, growing national needs, unused plant capacity, excessive unemployment, and absence of inflationary pressures -- that I reiterate my earlier statement that a deficit of the size which we envisage for fiscal year 1962 -- a deficit one third the size of the 1959 deficit -- is both inevitable and appropriate.

The alternative -- to reduce expenditures to match recession revenues, with resulting dangers to our national security, neglect of our national needs, slowing of our progress toward full employment and toward full utilization of our plant capacity -- is totally unacceptable.

This alternative course is equally unpalatable if we look ahead to the revenue prospects for fiscal year 1963. By then, revenues should be flowing from a prospering economy. They could well jump as much as 10 percent over what we can expect for fiscal 1962. With reasonable prosperity during 1962, our fiscal 1963 revenues should approximate $90 billion, compared to the $81.4 billion that we now foresee for the coming fiscal year.

Once again this would parallel past experience. For in fiscal 1960, our revenues jumped a full $9.8 billion over the recession revenues of 1959.

The reasons underlying this prospect are best understood if we examine our economy in terms of our Gross National Product:

Our GNP for 1960 was about $503 billion. But this year during the first quarter GNP dropped below $500 billion. Even with the presently forecast total of around $530 billion in the fourth quarter, the average for 1961 will not quite reach $515 billion -- or an increase of only about 2-1/4 percent over 1960.

But 1962 gives promise of being a year of accelerating growth. From something like $540 billion in the first quarter, we can reasonably hope for an increase to about $570 billion by year end. This would give 1962 an annual level of some $555 billion, an increase of nearly 8 percent over 1961.

If this pattern should develop next year -- and the chances are good -- our revenues for fiscal 1963 would be adequate to meet all of our national needs, with something left over. We should keep this longer-range prospect of prosperity clearly in mind whenever we can consider next year's budgetary outlook.

Now what can we do during the coming year to facilitate the achievement of our basic economic goals as our economy recovers and our output increases?

First, we must avoid price increases so that those who live on fixed incomes will not be penalized. This will require a high order of self restraint on the part of both labor and management with wage increases geared to increases in productivity.

Second, we must make a great and continuing effort to reduce unemployment to a tolerable figure -- 4 percent is the current goal. A modest and non-inflationary deficit such as we foresee for next year will contribute to this end. In addition we should mount a coordinated attack on structural unemployment by enacting the President's proposals, including an expanded training program.

Finally, we should use the respite given us by the present recovery to overhaul and strengthen the mechanism of our "automatic stabilizers" so that future recessions may be milder and shorter than any we have so far experienced. The fact that we have twice had to enact temporary unemployment compensation measures clearly indicates that our permanent legislation to help the jobless should be overhauled and strengthened. This should be done not only for the benefit of future unemployed, but in the interest of over-all economic stability.

If we do these things we can look forward to a period of unmatched prosperity -- prosperity that will give us the strength we shall need to face the world-wide challenges of the Sixties.

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themselves -- we can look forward to a decade of progress and development for the hundreds of millions of people in other lands economically less fortunate than our own. Their economic progress is to no small degree dependent on us. Our own future importantly depends on them. The bill before you is essential to meet the need.

of its members in this important undertaking. The Bank has also played an important role in stimulating and coordinating efforts by the economically advanced countries to assist India's economic development by convening consortium meetings on several occasions in the past. Earlier this month it led a meeting of capital-exporting countries prepared to help in financing India's third Five-Year plan.

Participating countries other than the United States indicated their willingness to provide $780 million over the next two years. This amount, together with $400 million from the World Bank and the International Development Association, and $1 billion from the United States, which is subject to Congressional action on the pending legislation, should enable India to proceed in an orderly manner to a successful launching of its Third Plan. A similar meeting under the auspices of the World Bank was held this month to consider aid to Pakistan.

If the United States and the other industrialized countries of the Free World fully cooperate in providing assistance to the developing areas -- based upon the self-help efforts of the developing countries

We will also continue to work with the other industrialized nations of the Free World to encourage increased participation by them in providing economic assistance to the developing countries. This is the major objective of the Development Assistance Group which will soon become a part of the new Organization for Economic Cooperation and Development. The functions of the Development Assistance Group and the Organization for Economic Cooperation and Development in this field will be discussed in detail by Under Secretary Ball.

In addition to the work of the Development Assistance Group in urging the mobilization of resources of the industrialized countries for the purpose of helping the developing countries, there has been very substantial progress in coordinating and enlarging Free World assistance to particular countries. The International Bank for Reconstruction and Development has pioneered in this effort by enlisting the cooperation of a number of industrialized countries in expanding help to India and Pakistan. You are familiar with the Bank's role in the Indus Waters project and the financial participation by a number that the national lending activities of the United States are properly coordinated with the activities of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, and the Inter-American Development Bank. Coordination with the international institutions and with the Export-Import Bank will also be effected through the National Advisory Council, through the United States Executive Directors of the international institutions and through informal day-to-day contacts. In addition, the proposed legislation provides for a Development Loan Committee, similar to the present Development Loan Fund Board, to establish standards and criteria for the lending operations of the new aid agency in accordance with the foreign and financial policies of the United States. The Treasury Department and the Export-Import Bank will be represented on this inter-agency committee.

Through proper coordination we can ensure that the new lending program will complement, rather than compete with, other established lending institutions, domestic or international as well as the flow of private funds available for international investment.

would take into account the prospective situation of the borrower. Flexibility would permit loans to private borrowers on appropriate terms. Thus, while the objective of lending operations will be to improve the ability of the borrowing country to service its debts through progress in development, the burden of debt service will not be such as to impede that progress. These terms and conditions which are along the lines being worked out by the International Development Association should enable the United States to offer to the developing countries loan terms as favorable as those offered by any other country in the world. It is significant that the International Development Association reached this decision after long and thorough international discussion under the leadership of its distinguished President Mr. Eugene Black.

The development lending operations of the new aid agency will necessarily be related to the activities of other lending institutions -- national and international. As the United States Governor of the major international financial institutions, I have responsibility for assuring

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Under the proposed legislation this need will continue to be met, even though dollar repayment is to be required. Dollar repayment should be possible as the developing country increases its ability to mobilize domestic resources and to enlarge its exports and foreign exchange earnings. But these self-help efforts of the developing countries will take time to bear fruit. Meanwhile, it is necessary to avoid excessive debt burdens on the budget or the balance of payments of the developing country. Repayment over a long term with substantial grace periods would allow the major burden of repayment to come after self-sustaining growth has commenced. Elimination or drastic reduction of the interest burden on loans should also considerably ease both the annual and the over-all debt service burden of the loan.

It is for these reasons that development loans under the proposed program are intended to be on terms much more generous than conventional banking terms. Periods of repayment may extend up to fifty years. Grace periods, in which no repayment of principal is required, may be granted up to ten years. Rates of interest could be low or non-existent, although a small service charge might be made. In short, loan terms revolving fund principle that has been used in many other lending programs. It would, in brief, put the returns from our earlier aid programs to the industrialized countries to work in our new program to help the developing countries.

The primary purpose of the development lending provisions of the Act for International Development is to assist the developing countries in carrying out long-range development programs. Loan funds are intended to support those activities which make the most effective contribution to economic growth. Loans may, for example, be directed to specific projects. They may also be used to provide broad support for a national development program. They may also be used to help in establishing general financial and economic conditions essential to steady growth in the future. All three kinds of lending operations are essential if the needs of the developing countries are to be met.

During the past few years the United States has come to recognize the need of the developing countries for loans on terms more favorable to the borrower than can be provided under conventional banking practices.

programs, most importantly from the sale of agricultural surpluses under Public Law 480. There is danger that continued large accruals of local currency by the United States Government could become a source of friction and misunderstanding in our future relations with the countries whose currencies we are accumulating. This danger would be particularly acute if the United States Government were to acquire a large proportion of the outstanding money supply in a foreign country. The accumulation of large, and in many cases excessive or unusual amounts of local currency, provides no advantage to the United States whereas repayment in dollars, even over a long period of time, would provide a definite return.

The President has also requested authority to make available for development lending, the dollars to be realized from repayments of earlier foreign obligations. This request is confined to outstanding obligations in which the United States has the option to require dollar repayments. The amounts will approximate $300 million a year for the next five years. This is a reasonable extension of the it another way, the extent to which the Treasury may have to increase the public debt, or alternatively rely upon tax or other income is exactly the same whether foreign development lending is financed by the borrowing method or by funds otherwise appropriated. The requirements of this and all other programs, foreign and domestic, determine the amount of over-all expenditure which must be met by the receipts of the Treasury.

The financing of development loans by borrowing authority was recommended by President Eisenhower in 1957 at the inception of the Development Loan Fund and approved at that time by this Committee. As you know, the Development Loan Fund is authorized to make loans repayable in local currency -- that is, repayable in the currency of the borrower rather than in dollars. As a result of experience, it has been found desirable to change this policy. It is now proposed that all development loans under the new program be repaid exclusively in dollars.

An important reason for this change is that the United States is rapidly acquiring large accruals of local currencies from various

Fourth, an annual presentation would be made to the Appropriations Committees of the Congress in accordance with the provisions of the Government Corporations Control Act. Under this Act the aid agency would be required to submit to the appropriations committees an annual budget setting forth its proposed operations for the coming year and to obtain from Congress authority to expend funds in accordance with this budget.

Finally, the amounts to be borrowed under the proposed legislation would be included each year in the budget as new obligational authority in the same manner as other appropriations. Similarly, expenditures would appear in the regular expenditures budget. As far as the budget is concerned there is not the slightest difference between this method of funding and the appropriation process heretofore used for this program.

I would like to make a further point in connection with the use of borrowing authority. This is that borrowing from the Treasury under the Act for International Development would not mean that the Treasury would be forced into any additional borrowing from the public. To put agencies, in accordance with the statutes governing the activities of the particular agency. A list of examples of legislative authorizations currently in effect, for financing governmental activities through the borrowing method has been submitted for the information of the Committee.

This fiscal arrangement need not, and will not, mean any loss of legislative control over expenditures. The funds will be available only for the purposes and in the amounts approved by the Congress. Under the proposed legislation, specific Congressional control over the lending program would be exercised in each year of the five-year period in a number of ways:

First, the basic law would determine the availability of the funds year-by-year.

Second, quarterly reports on lending operations would be submitted to the Congress.

Third, an annual presentation would be made to the authorizing Committees of the Congress covering all development lending operations.

reforms. It will also provide an incentive to other industrialized countries to join with the United States in providing aid to developing areas.

Because an effective long-term foreign lending program requires an assured and adequate source of funds for solid multi-year commitments, the President has requested that development loans be financed by borrowing from the Treasury. For this purpose, the proposed bill provides for authority to borrow from the Treasury $900 million in fiscal year 1962 and $1.6 billion in each of the succeeding four years. This method would be used only for development loans and specific ceilings would be established limiting the amount of borrowing authority to be exercised annually. All loan transactions making use of this authority would be in dollars and all repayments would be in dollars. Grants or other forms of assistance connected with the foreign aid program would continue to be financed by annual appropriations.

It is a common practice to finance lending operations of United States agencies through loans and advances from the Treasury. The Treasury uses this method to finance the programs of more than twenty

Without such authority there will continue to be insistent pressures for stop-gap financing to meet crises which could have been prevented, at less cost, by adequate long-range programs.

In my judgment, the inability of the Executive to make long-term commitments has diminished the effectiveness and increased the cost of the foreign aid program. Without adequate assurance of financing for long-term programs to deal with the basic needs of a developing country, there is less incentive for such a country to thoroughly organize its plans or to adopt appropriate measures of self-help. We urge the developing countries to undertake basic and difficult reforms that are essential to development. But such reforms take years to implement, and require the support of long-term development programs. Reasonable assurance of outside assistance extending over a period of years may often mean the difference between success or failure in the efforts of a developing country to carry out the measures requisite to effective development. Legislative authority to make multi-year commitments will for the first time put the United States in a position to effectively stimulate and cooperate in basic payments situation. I am satisfied that the present directives are adequate to assure this result.

I would like now to turn to another vital aspect of the proposed Act for International Development. The new economic aid program set forth in the Act emphasizes long-term authority for financing development lending. The President, in his letter transmitting the draft foreign assistance bill, stated that "Real progress in economic development cannot be achieved by annual, short-term dispensations of aid and uncertainty as to future intentions".

I am convinced from my earlier experience in the Department of State that long-term financing authority is an essential tool for the achievement of our foreign policy objectives. I am equally convinced as Secretary of the Treasury that this is the most efficient and least costly method of providing development assistance.

Adequate authority for long-term financing as proposed in the bill will permit both orderly development and effective execution of development lending programs by the administrator of the aid program.

American exports is not understood by those who hope to cure our balance of payments deficit by curtailing foreign economic assistance. Nevertheless, for such time as our international payments situation requires, our objective will be to assure that at least eighty percent of our foreign economic assistance will be spent on United States goods and services. Because of earlier commitments this goal cannot be achieved immediately but the new policy will have an increasingly favorable effect on our balance of payments position.

Under the present policy, it is not in every case practicable or desirable to require that foreign assistance funds be limited exclusively to the procurement of United States goods and services. In some cases, particular commodities financed by aid dollars are not available in the United States, or may not be available here in the time required. Also, emergency situations sometimes require the transfer of aid through cash grants, a part of which is ultimately spent for the goods of other countries. Nevertheless, through our procurement policy we will keep to a minimum any adverse effect of aid spending on our expenditures to be expected over the years following 1962 will, of course, be taken into account in the presentation of the budgets for those years.

Third, as Secretary of the Treasury, I am especially interested in the relationship of foreign assistance to our balance of payments. The program proposed is consistent with our efforts to achieve and sustain over-all balance in our international payments. I wish to emphasize that it is the form in which aid is extended, rather than the amount to be provided, which is most relevant to this question. We will continue under the new program to place primary emphasis on the purchase of United States goods and services by aid recipients. The preponderant part of foreign aid expenditures will be spent in the United States. Such expenditures, which are accompanied by American exports, have no adverse impact on our balance of payments. In 1960 American exports financed by all of our foreign economic programs accounted for nearly half of our total export surplus. The fact that foreign assistance has been largely accompanied by an outflow of for the Act for International Development. This amount includes authorization to reuse some $287 million which is what we currently expect to receive from dollar repayments of previous foreign loans. It also includes authority to borrow $900 million from the Treasury for development loans. In addition, the military assistance request for 1962 amounts to $1,885 million. This makes up an over-all total program of $4,763 million which amounts to less than one percent of our gross national product, a figure that is certainly well within the capacity of our domestic economy.

The proposed bill also requests authority to borrow from the Treasury $1.6 billion for each of the following four years as well as continued authority to reuse the dollars from repayments on earlier foreign loans. These repayments are expected to average about $300 million annually during these four years.

The expenditure estimates for fiscal year 1962 under the proposed program are approximately the same as those contained in the budget presented to the Congress by President Eisenhower. The increased

There are three questions that should be answered from the over-all financial viewpoint:

(1) How do the requirements of the program bear on our total governmental requirements?

(2) Can we afford the program?

(3) Does the program affect our international financial position?

First, in financing our most urgent national needs, both foreign and domestic, we must establish priorities in order to assure over-all fiscal integrity. An adequate, flexible, and soundly conceived program of foreign economic assistance merits very high priority. Such a program is essential to the security and well-being of our nation.

Second, the program before you is one that the United States can afford. A total of $2,878 million is being requested in fiscal 1962

TREASURY DEPARTMENT
Washington

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June 20, 1961

For Release: Upon Delivery

STATEMENT
~~DRAFT OF REMARKS~~ OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
HOUSE FOREIGN AFFAIRS COMMITTEE
IN SUPPORT OF THE ACT FOR INTERNATIONAL DEVELOPMENT
AND THE INTERNATIONAL PEACE AND SECURITY ACT,
WEDNESDAY, JUNE 21, 1961
10:00 A.M., EDT

I welcome the opportunity to appear before this Committee in support of the foreign aid legislation submitted to the Congress by President Kennedy and introduced as H.R. 7372 by your Chairman. I have appeared before your Committee on this subject many times in the past and am sure that you share the view that this program is an essential ingredient of our national policy. I hope that you will act favorably on the proposal before you, and thus take a major step forward in this field.

As Secretary of the Treasury, I wish to comment on the major financial aspects of the proposed Act for International Development. The National Advisory Council on International Monetary and Financial Problems, of which I am Chairman, has reviewed and approved those aspects of the proposed Act relating to international financial policy.

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TREASURY DEPARTMENT
Washington

June 21, 1961

For Release: Upon Delivery

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As Secretary of the Treasury, I wish to comment on the major financial aspects of the proposed Act for International Development. The National Advisory Council on International Monetary and Financial Problems, of which I am Chairman, has reviewed and approved those aspects of the proposed Act relating to international financial policy.

There are three questions that should be answered from the over-all financial viewpoint:

(1) How do the requirements of the program bear on our total governmental requirements?

(2) Can we afford the program?

(3) Does the program affect our international financial position?

First, in financing our most urgent national needs, both foreign and domestic, we must establish priorities in order to assure over-all fiscal integrity. An adequate, flexible, and soundly conceived program of foreign economic assistance merits very high priority. Such a program is essential to the security and well-being of our nation.

Second, the program before you is one that the United States can afford. A total of $2,878 million is being requested in fiscal 1962 for the Act for International Development. This amount includes authorization to reuse some $287 million which is what we currently expect to receive from dollar repayments of previous foreign loans. It also includes authority to borrow $900 million from the Treasury for development loans. In addition, the military assistance request for 1962 amounts to $1,885 million. This makes up an over-all total program of $4,763 million which amounts to less than one percent of our gross national product, a figure that is certainly well within the capacity of our domestic economy.

The proposed bill also requests authority to borrow from the Treasury $1.6 billion for each of the following four years as well as continued authority to reuse the dollars from repayments on earlier foreign loans. These repayments are expected to average about $300 million annually during these four years.

The expenditure estimates for fiscal year 1962 under the proposed program are approximately the same as those contained in the budget presented to the Congress by President Eisenhower. The increased expenditures to be expected over the years following 1962 will, of course, be taken into account in the presentation of the budgets for those years.

Third, as Secretary of the Treasury, I am especially interested in the relationship of foreign assistance to our balance of payments. The program proposed is consistent with our efforts to achieve and sustain over-all balance in our international payments. I wish to emphasize that it is the form in which aid is extended, rather than the amount to be provided, which is most relevant to this question. We will continue under the new program to place primary emphasis on the purchase of United States goods and services by aid recipients. The preponderant part of foreign aid expenditures will be spent in the United States. Such expenditures, which are accompanied by American exports, have no adverse impact on our balance of payments. In 1960 American exports financed by all of our foreign economic programs accounted for nearly half of our total export surplus. The fact that foreign assistance has been largely accompanied by an outflow of American exports is not understood by those who hope to cure our balance of payments deficit by curtailing foreign economic assistance. Nevertheless, for such time as our international payments situation requires, our objective will be to assure that at least 80 percent of our foreign economic assistance will be spent on United States goods and services. Because of earlier commitments this goal cannot be achieved immediately but the new policy will have an increasingly favorable effect on our balance of payments position.

Under the present policy, it is not in every case practicable or desirable to require that foreign assistance funds be limited exclusively to the procurement of United States goods and services. In some cases, particular commodities financed by aid dollars are not available in the United States, or may not be available here in the time required. Also, emergency situations sometimes require the transfer of aid through cash grants, a part of which is ultimately spent for the goods of other countries. Nevertheless, through our procurement policy we will keep to a minimum any adverse effect of aid spending on our payments situation. I am satisfied that the present directives are adequate to assure this result.

I would like now to turn to another vital aspect of the proposed Act for International Development. The new economic aid program set forth in the Act emphasizes long-term authority for financing development lending. The President, in his letter transmitting the draft foreign assistance bill, stated that "Real progress in economic development cannot be achieved by annual, short-term dispensations of aid and uncertainty as to future intentions".

I am convinced from my earlier experience in the Department of State that long-term financing authority is an essential tool for the achievement of our foreign policy objectives. I am equally convinced as Secretary of the Treasury that this is the most efficient and least costly method of providing development assistance.

Adequate authority for long-term financing as proposed in the bill will permit both orderly development and effective execution of development lending programs by the administrator of the aid program. Without such authority there will continue to be insistent pressures for stop-gap financing to meet crises which could have been prevented, at less cost, by adequate long-range programs.

In my judgment, the inability of the Executive to make long-term commitments has diminished the effectiveness and increased the cost of the foreign aid program. Without adequate assurance of financing for long-term programs to deal with the basic needs of a developing country, there is less incentive for such a country to thoroughly organize its plans or to adopt appropriate measures of self-help. We urge the developing countries to undertake basic and difficult reforms that are essential to development. But such reforms take years to implement, and require the support of long-term development programs. Reasonable assurance of outside assistance extending over a period of years may often mean the difference between success or failure in the efforts of a developing country to carry out the measures requisite to effective development. Legislative authority to make multi-year commitments will for the first time put the United States in a position to effectively stimulate and cooperate in basic reforms. It will also provide an incentive to other industrialized countries to join with the United States in providing aid to developing areas.

An effective long-term foreign lending program requires an assured and adequate source of funds for multi-year commitments. The President has therefore requested that development loans be financed by borrowing from the Treasury. For this purpose, the proposed bill provides for authority to borrow from the Treasury $900 million in fiscal year 1962 and $1.6 billion in each of the succeeding four years. This method would be used only for development loans and specific ceilings would be established limiting the amount of borrowing authority to be exercised annually. All loan transactions making use of this authority would be in dollars and all repayments would be in dollars. Grants or other forms of assistance connected with the foreign aid program would continue to be financed by annual appropriations.

It is a common practice to finance lending operations of United States agencies through loans and advances from the Treasury. The Treasury uses this method to finance the programs of more than twenty agencies, in accordance with the statutes governing the activities of the particular agency. A list of examples of legislative authorizations currently in effect, for financing governmental activities through the borrowing method has been submitted for the information of the Committee.

This fiscal arrangement need not, and will not, mean any loss of legislative control over expenditures. The funds will be available only for the purposes and in the amounts approved by the Congress. Under the proposed legislation, specific Congressional control over the lending program would be exercised in each year of the five-year period in a number of ways:

First, the basic law would determine the availability of the funds year-by-year.

Second, quarterly reports on lending operations would be submitted to the Congress.

Third, an annual presentation would be made to the authorizing Committees of the Congress covering all development lending operations.

Fourth, an annual presentation would be made to the Appropriations Committeesof the Congress in accordance with the provisions of the Government Corporations Control Act. Under this Act the aid agency would be required to submit to the appropriations committees an annual budget setting forth its proposed operations for the coming year and to obtain from Congress authority to expend funds in accordance with this budget.

Finally, the amounts to be borrowed under the proposed legislation would be included each year in the budget as new obligational authority in the same manner as other appropriations. Similarly, expenditures would appear in the regular expenditures budget. As far as the budget is concerned there is not the slightest difference between this method of funding and the appropriation process heretofore used for this program.

I would like to make a further point in connection with the use of borrowing authority. This is that borrowing from the Treasury under the Act for International Development would not mean that the Treasury would be forced into any additional borrowing from the public. To put it another way, the extent to which the Treasury may have to increase the public debt, or alternatively rely upon tax or other income is exactly the same whether foreign development lending is financed by the borrowing method or by funds otherwise appropriated. The requirements of this and all other programs, foreign and domestic, determine the amount of over-all expenditure which must be met by the receipts of the Treasury.

The financing of development loans by borrowing authority was recommended by President Eisenhower in 1957 at the inception of the Development Loan Fund and approved at that time by this Committee. As you know, the Development Loan Fund is authorized to make loans repayable in local currency -- that is, repayable in the currency of the borrower rather than in dollars. As a result of experience, it has been found desirable to change this policy. It is now proposed that all development loans under the new program be repaid exclusively in dollars.

An important reason for this change is that the United States is rapidly acquiring large accruals of local currencies from various programs, most importantly from the sale of agricultural surpluses under Public Law 480. There is danger that continued large accruals of local currency by the United States Government could become a source of friction and misunderstanding in our future relations with the countries whose currencies we are accumulating. This danger would be particularly acute if the United States Government were to acquire a large proportion of the outstanding money supply in a foreign country. The accumulation of large, and in many cases excessive or unusual amounts of local currency, provides no advantage to the United States whereas repayment in dollars, even over a long period of time, would provide a definite return.

The President has also requested authority to make available for development lending, the dollars to be realized from repayments of earlier foreign obligations. This request is confined to outstanding obligations in which the United States has the option to require dollar repayments. The amounts will approximate $300 million a year for the next five years. This is a reasonable extension of the revolving fund principle that has been used in many other lending programs. It would, in brief, put the returns from our earlier aid programs to the industrialized countries to work in our new program to help the developing countries.

The primary purpose of the development lending provisions of the Act for International Development is to assist the developing countries in carrying out long-range development programs. Loan funds are intended to support those activities which make the most effective contribution to economic growth. Loans may, for example, be directed to specific projects. They may also be used to provide broad support for a national development program. They may also be used to help in establishing general financial and economic conditions essential to steady growth in the future. All three kinds of lending operations are essential if the needs of the developing countries are to be met.

During the past few years the United States has come to recognize the need of the developing countries for loans on terms more favorable to the borrower than can be provided under conventional banking practices. Under the proposed legislation this need will continue to be met, even though dollar repayment is to be required. Dollar repayment should be possible as the developing country increases its ability to mobilize domestic resources and to enlarge its exports and foreign exchange earnings. But these self-help efforts of the developing countries will take time to bear fruit. Meanwhile, it is necessary to avoid excessive debt burdens on the budget or the balance of payments of the developing country. Repayment over a long term with substantial grace periods would allow the major burden of repayment to come after self-sustaining growth has commenced. Elimination or drastic reduction of the interest burden on loans should also considerably ease both the annual and the over-all debt service burden of the loan.

It is for these reasons that development loans under the proposed program are intended to be on terms much more generous than conventional banking terms. Periods of repayment may extend up to fifty years. Grace periods, in which no repayment of principal is required, may be granted up to ten years. Rates of interest could be low or non-existent, although a small service charge might be made. In short, loan terms would take into account the prospective situation of the borrower. Flexibility would permit loans to private borrowers on appropriate terms. Thus, while the objective of lending operations will be to improve the ability of the borrowing country to service its debts through progress in development, the burden of debt service will not be such as to impede that progress. These terms and conditions which are along the lines being worked out by the International Development Association should enable the United States to offer to the developing countries loan terms as favorable as those offered by any other country in the world. It is significant that the International Development Association reached this decision after long and thorough international discussion under the leadership of its distinguished President Mr. Eugene Black.

The development lending operations of the new aid agency will necessarily be related to the activities of other lending institutions -- national and international. As the United States Governor of the major international financial institutions, I have responsibility for assuring that the national lending activities of the United States are properly coordinated with the activities of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, and the Inter-American

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Development Bank. Coordination with the international institutions and with the Export-Import Bank will also be effected through the National Advisory Council, through the United States Executive Directors of the international institutions and through informal day-to-day contacts. In addition, the proposed legislation provides for a Development Loan Committee, similar to the present Development Loan Fund Board, to establish standards and criteria for the lending operations of the new aid agency in accordance with the foreign and financial policies of the United States. The Treasury Department and the Export-Import Bank will be represented on this inter-agency committee.

Through proper coordination we can ensure that the new lending program will complement, rather than compete with, other established lending institutions, domestic or international as well as the flow of private funds available for international investment.

We will also continue to work with the other industrialized nations of the Free World to encourage increased participation by them in providing economic assistance to the developing countries. This is the major objective of the Development Assistance Group which will soon become a part of the new Organization for Economic Cooperation and Development. The functions of the Development Assistance Group and the Organization for Economic Cooperation and Development in this field will be discussed in detail by Under Secretary Ball.

In addition to the work of the Development Assistance Group in urging the mobilization of resources of the industrialized countries for the purpose of helping the developing countries, there has been very substantial progress in coordinating and enlarging Free World assistance to particular countries. The International Bank for Reconstruction and Development has pioneered in this effort by enlisting the cooperation of a number of industrialized countries in expanding help to India and Pakistan. You are familiar with the Bank's role in the Indus Waters project and the financial participation by a number of its members in this important undertaking. The Bank has also played an important role in stimulating and coordinating efforts by the economically advanced countries to assist India's economic development by convening consortium meetings on several occasions in the past. Earlier this month it led a meeting of capital-exporting countries prepared to help in financing India's third Five-Year plan.

Participating countries other than the United States indicated their willingness to provide $780 million over the next two years. This amount, together with $400 million from the World Bank and the International Development Association, and $1 billion from the United States, which is subject to Congressional action on the pending legislation, should enable India to proceed in an orderly manner to a successful launching of its Third Plan. A similar meeting under the auspices of the World Bank was held this month to consider aid to Pakistan.

If the United States and the other industrialized countries of the Free World fully cooperate in providing assistance to the developing areas -- based upon the self-help efforts of the developing countries themselves -- we can look forward to a decade of progress and development for the hundreds of millions of people in other lands economically less fortunate than our own. Their economic progress is to no small degree dependent on us. Our own future importantly depends on them. The bill before you is essential to meet the need.

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~~REXAXXMODIFIEDX~~

from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 ~~(16)~~ or less for the additional bills dated March 30, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on September 28, 1961 ~~(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 29, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 29, 1961 ~~(23)~~. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE June 21, 1961

TREASURY'S WEEKLY BILL OFFERING

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 29, 1961, in the amount of $ 1,600,554,000, as follows:

91 -day bills (to maturity date) to be issued June 29, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated March 30, 1961, and to mature September 28, 1961, originally issued in the amount of $ 600,189,000 (including $100,104,000 issued June 14, 196 /, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 500,000,000, or thereabouts, to be dated June 29, 1961, and to mature December 28, 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 amou 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 (maturi value).

Tenders will be received at Federal Reserve Banks and Branches up to the closi hour, one-thirty o'clock p.m., Eastern Daylight Saving ~~Standard~~ time, Monday, June 26, 1961. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 21, 1961

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Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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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 30, 1961, (91-days remaining until maturity date on September 28, 1961)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 29, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 29, 1961. 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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purchases if he pays about $60 in duty. I do not see why, under the circumstances we have before us today, he should not be asked to pay the $60 in duty if he wants to make these purchases.

Indeed, our figures show that well over 90 percent of returning tourists claim $200 or less in exemption. Their sacrifice, therefore, on passage of this legislation would ~~be at most~~ average $15 per person if they purchased abroad up ~~the $200 average~~ this top $200 figure.

I do not feel this is a very large sacrifice to ask of persons who are fortunate enough to ~~get a trip~~ afford a trip abroad, especially when viewed against the background of the other expenses of such a trip.

~~Our figures show that~~ Furthermore, well over 50 percent of our returning tourists bring in not more than $100 of foreign purchases. They are not called upon by this bill to make any sacrifice at all.

We have a balance of payments situation that must be brought under control. Here is one method that can ~~be used to this end~~ help. I recommend that it be so used.

~~For example, I am advised that~~ (h.P) duty-free allowances in the European countries which grant them range from $12 to $50. In Latin America the usual range is from $50 and $100. Canada grants $100 every 4 months - as compared with our proposed $100 every 30 days. (Canada grants an additional $200 every 12 months but only with respect to Canadians returning home from outside of the North American continent.) ~~with the proviso that this is not, however, available to those returning from the United States.)~~

Of course one can not be generous, as we have been, over a period of years without getting people used to ~~the~~ such generosity and coming to expect it as a matter of right. Consequently ~~there will be~~ you are likely to hear complaints ~~made to you~~ that the return to a $100 exemption after 13 years of more luxurious treatment will cause hardship.

But no traveler to foreign lands can claim he has ~~As far as I can see there is no inherent right which should be granted~~ ~~to tourists~~ inherent right to purchase large amounts of merchandise, which shall be duty-free, especially when those who stay at home - whether they travel within the United States or stay in one place - must pay duty on everything they import. We figure that the average rate of duty charged returning tourists on what is brought in over the exemption is about 15 percent. ~~That~~ This means that with a $100 exemption the tourist can bring back $500 worth of personal result of their strong export position in world markets. ~~The~~ But our present duty-free allowances continue to act as a unilateral concession on their exports to this country — because at ~~as~~ the same time the United States is experiencing ~~has a~~ large deficits in its balance of payments. As an increasing ~~large~~ number of American tourists return each year, ~~and~~ their purchases abroad represent a significant item in ~~the~~ our payments deficit. ~~in our balance of payments.~~

~~I do not believe anyone can doubt that a~~ A $400 reduction in the duty-free exemption is going to have ~~an~~ a distinct effect. ~~on our balance of payments situation.~~ (no ¶) We have made an estimate of how great an effect this will be, but I can not guarantee ~~that this estimate is~~ it to be exact, because we are here trying to predict human behavior. ~~and experience teaches us that human behavior is unpredictable.~~ However, there is good reason to believe that the reduction in exemption would reduce tourist purchases by somewhere between $140 million and $175 million.

I do not regard this as an insignificant figure. ~~nor do I believe it will be so regarded by the members of this Committee.~~ It represents 8 to 9 percent of what we regard as the basic $1.9 billion deficit in our 1960 balance of payments accounts.

In general the $100 exemption provided for in the proposed bill is far more generous than that provided for by other countries for their returning residents.

$300 exemption (No P)

In addition, persons who have been outside of the United States for 12 days or more receive a separate and additional exemption of $300 which is available once every six months.

~~As you will perceive, what~~ The proposed legislation seeks to ~~accomplish is to~~ do away temporarily with the $300 exemption, and cut the $200 exemption down to $100.

The ~~increases~~ increase in duty-free allowances took place ~~during the early days of the Marshall Plan, and~~ at a time when many foreign countries were receiving assistance from the United States under the Marshall Plan. ~~because of the heavy pressure on their international balance of payments. At that time~~ (no P) There was a very strong world-wide demand ~~in these countries~~ for United States export goods, because of the ~~general~~ shortage of these commodities ~~in the world~~ and the general pressure of postwar demands on the war-strained economies of Europe. (no P) During those years, these nations were experiencing heavy pressure on their international balance of payments, and our liberal duty-free allowances were a distinct help to them.

The situation has now markedly changed. ~~and~~ The leading countries of Western Europe as well as ~~and~~ Japan ~~are steadily accumulating~~ have accumulated large gold and liquid dollar holdings as a

* ~~24 hours for lower California-Mexican crossings; no time limit for other Mexican border crossings. H R 6611 would remove the time limit for U.S. tourists returning from the Virgin Islands~~ also ~~articles acquired~~

"The President feels that the seriousness of our balance of payments situation can best be presented to the country and to the world by legislation establishing the tourist exemption at $100 for a fixed period. This would require a review of this policy at the end of the period by the Congress and the President in light of our balance of payments situation at that time."

~~Sincerely yours,~~

~~/s/ Douglas Dillon~~

~~Douglas Dillon"~~

Subsequent to this, the House Committee on Ways and Means reported out a bill to reduce the duty-free allowance to $100, for a 2-year period. This bill, passed by the House of Representatives, is now before you.

The present law establishing the duty-free exemption, which the bill before yo seeks to amend, is paragraph 1798(c)(2), Tariff Act of 1930. This law allows returning American tourists two basic exemptions:

<u>$200 exemption</u> (no R)

Anyone who has been abroad at least 48 hours* is permitted to bring in goods valued up to $200 without payment of duty. This exemption may be repeated on

Statement of Honorable A. Gilmore Flues
Assistant Secretary of the Treasury ~~DRAFT~~ ~~June 21, 1961~~
Before the Senate Committee on Finance
on H R 6611

~~REDUCTION IN TOURIST EXEMPTION~~
Temporary Reduction in Duty-Free Allowance for Returning Residents, Thursday, June 22, 1961, at 10 A.M. EDT

Mr. Chairman, the bill which you have under consideration, H R 6611, to reduce the Customs exemption for returning American travelers, is described as follows in the President's February 6 message on balance of payments and gold:

> "After World War II, as part of our efforts to relieve the dollar shortage which then plagued the world, Congress provided for two additional increases of $300 and $100 in the duty-free allowance for returning travelers, for a total of $500. The primary purpose for this change having vanished, I am recommending legislation to withdraw this stimulus to American spending abroad and return to the historic basic duty-free allowance of $100."

As introduced in the House of Representatives, the legislation provided that the return to the $100 duty-free allowance would be effective for a 4-year period. Pending consideration of the bill by the House Committee on Ways and Means, ~~I~~ Secretary Dillon wrote the Chairman of that Committee on April 25, ~~as follows:~~

~~"My dear Mr. Chairman:~~

> In response to ~~your~~ his request for a statement of the President's views, ~~with regard to the appropriate provisions for H. R. 5191, Customs Exemption for Returning Travelers, I am pleased to report~~ as follows:

To Typist: Continue double space

> "While the President recognizes that the balance of payments pressures have eased somewhat, he does not believe that the problem has been solved. He further believes that there is a real and urgent need for reduction of the exemption.

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June 22, 1961

For Release: Upon Delivery

STATEMENT OF THE HONORABLE A. GILMORE FLUES
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE
SENATE COMMITTEE ON FINANCE
ON HR 6611
TEMPORARY REDUCTION IN DUTY-FREE ALLOWANCE FOR RETURNING RESIDENTS
THURSDAY, JUNE 22, 1961, 10:00 A.M., EDT

Mr. Chairman, the bill which you have under consideration, H. R. 6611, to reduce the Customs exemption for returning American travelers, is described as follows in the President's February 6 message on balance of payments and gold:

> "After World War II, as part of our efforts to relieve the dollar shortage which then plagued the world, Congress provided for two additional increases of $300 and $100 in the duty-free allowance for returning travelers, for a total of $500. The primary purpose for this change having vanished, I am recommending legislation to withdraw this stimulus to American spending abroad and return to the historic basic duty-free allowance of $100."

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> "While the President recognizes that the balance of payments pressures have eased somewhat, he does not believe that the problem has been solved. He further believes that there is a real and urgent need for reduction of the exemption.

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> "The President feels that the seriousness of our balance of payments situation can best be presented to the country and to the world by legislation establishing the tourist exemption at $100 for a fixed period. This would require a review of this policy at the end of the period by the Congress and the President in light of our balance of payments situation at that time."

Subsequent to this, the House Committee on Ways and Means reported out a bill to reduce the duty-free allowance to $100, for a 2-year period. This bill, passed by the House of Representatives, is now before you.

The present law establishing the duty-free exemption, which the bill before you seeks to amend, is paragraph 1798(c)(2), Tariff Act of 1930. This law allows returning American tourists two basic exemptions:

<u>$200 exemption</u> -- Anyone who has been abroad at least 48 hours* is permitted to bring in goods valued up to $200 without payment of duty. This exemption may be repeated on subsequent foreign visits, provided no part of it has been utilized within the preceding 30 days.

<u>$300 exemption</u> -- In addition, persons who have been outside of the United States for 12 days or more receive a separate and additional exemption of $300 which is available once every six months.

The proposed legislation seeks to do away temporarily with the $300 exemption, and cut the $200 exemption down to $100.

The increases in duty-free allowances took place at a time when many foreign countries were receiving assistance from the United States under the Marshall Plan. There was a very strong world-wide demand

* For lower California-Mexico crossings the minimum time out of the United States is 24 hours. There is no time limit for other Mexican border crossings, and H.R. 6611 would remove the time limit also for articles acquired by United States tourists in the Virgin Islands.

for United States export goods because of the shortage of these commodities and the general pressure of postwar demands on the war-strained economies of Europe. During those years, these nations were experiencing heavy pressure on their international balance of payments, and our liberal duty-free allowances were a distinct help to them.

The situation has now markedly changed. The leading countries of Western Europe as well as Japan have accumulated large gold and liquid dollar holdings as a result of their strong export position in world markets. But our present duty-free allowances continue to act as a unilateral concession on their exports to this country, because at the same time the United States is experiencing large deficits in its balance of payments. As an increasing number of American tourists return each year, their purchases abroad represent a significant item in our payments deficit.

A $400 reduction in the duty-free exemption is going to have a distinct effect. We have made an estimate of how great an effect this will be, but I cannot guarantee it to be exact, because we are here trying to predict human behavior. However, there is good reason to believe that the reduction in exemption would reduce tourist purchases by somewhere between $140 million and $175 million.

I do not regard this as an insignificant figure. It represents 8 to 9 percent of what we regard as the basic $1.9 billion deficit in our 1960 balance of payments accounts.

In general the $100 exemption provided for in the proposed bill is far more generous than that provided for by other countries for their returning residents. Duty-free allowances in the European countries which grant them range from $12 to $50. In Latin America the usual range is from $50 to $100. Canada grants $100 every 4 months -- as compared with our proposed $100 every 30 days. (Canada grants an additional $200 every 12 months but only with respect to Canadians returning home from outside of the North American continent.)

Of course one can not be generous, as we have been, over a period of years without getting people used to such generosity and coming to expect it as a matter of right. Consequently, you are likely to hear complaints that the return to a $100 exemption after 13 years of more luxurious treatment will cause hardship.

But no traveler to foreign lands can claim he has an inherent right to purchase large amounts of merchandise, which shall be duty free, especially when those who stay at home -- whether they travel within the United States or stay in one place -- must pay duty on everything they import. We figure that the average rate of duty charged returning tourists on what is brought in over the exemption is about 15 percent. This means that with a $100 exemption the tourist can bring back $500 worth of personal purchases if he pays about $60 in duty. I do not see why, under the circumstances we have before us today, he should not be asked to pay the $60 in duty if he wants to make these purchases.

Indeed, our figures show that well over 90 percent of returning tourists claim $200 or less in exemption. Their sacrifice, therefore,

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on passage of this legislation would average $15 per person if they purchased abroad up to this top $200 figure.

I do not feel this is a very large sacrifice to ask of persons who are fortunate enough to afford a trip abroad, especially when viewed against the background of the other expenses of such a trip.

Furthermore, well over 50 percent of our returning tourists bring in not more than $100 of foreign purchases. They are not called upon by this bill to make any sacrifice at all.

We have a balance of payments situation that must be brought under control. Here is one method that can help. I recommend that it be so used.

oOo

June 26, 1961

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, June 27, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 30, 1961, and the other series to be dated June 29, 1961, which were offered on June 21, were opened at the Federal Reserve Banks on June 26. 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 28, 1961		182-day Treasury bills maturing December 28, 1961	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.447	2.188%	98.796	2.382%
Low	99.427	2.267%	98.774	2.425%
Average	99.439	2.219% 1/	98.787	2.399% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 33,458,000	$ 18,938,000	$ 2,058,000	$ 2,058,000
New York	1,398,180,000	776,430,000	812,896,000	387,146,000
Philadelphia	25,727,000	14,727,000	7,636,000	2,636,000
Cleveland	25,650,000	25,450,000	18,732,000	18,732,000
Richmond	9,745,000	9,745,000	1,113,000	1,113,000
Atlanta	14,193,000	13,338,000	6,343,000	6,143,000
Chicago	178,117,000	124,117,000	87,101,000	48,401,000
St. Louis	20,873,000	17,873,000	4,973,000	4,473,000
Minneapolis	14,535,000	14,535,000	4,930,000	4,515,000
Kansas City	34,522,000	34,422,000	9,105,000	9,105,000
Dallas	13,193,000	11,393,000	3,228,000	3,088,000
San Francisco	39,071,000	39,071,000	14,445,000	12,720,000
	$1,807,264,000	$1,100,039,000 a/	$972,560,000	$500,130,000 b/

a/ Includes $177,619,000 noncompetitive tenders accepted at the average price of 99.439
b/ Includes $40,318,000 noncompetitive tenders accepted at the average price of 98.787
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.26%, for the 91-day bills, and 2.46%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 26, 1961

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Tuesday, June 27, 1961.

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~~RETA - MODIFIED~~

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.

~~BETA MODIFIED~~ 244

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 6, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on October 5, 1961 ~~(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 6, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 6, 1961 ~~(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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~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE ~~4:00 P.M.,~~ June 26, 1961

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ (x1x)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,600,000,000 (x2x), or thereabouts, for cash and in exchange for Treasury bills maturing July 6, 1961 (x3x), in the amount of $ 1,600,332,000 (x4x), as follows:

91 (x5x) -day bills (to maturity date) to be issued July 6, 1961 (x6x), in the amount of $ 1,100,000,000 (x7x), or thereabouts, representing an additional amount of bills dated April 6, 1961 (x8x), and to mature October 5, 1961 (x9x), originally issued in the amount of $600,239,000 (x10x) / (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182 (x11x) -day bills, for $ 500,000,000 (x12x), or thereabouts, to be dated July 6, 1961 (x13x), and to mature January 4, 1962 (x14x).

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty o'clock p.m., Eastern Daylight Saving ~~Standard~~ time, Friday, June 30, 1961 (x15x). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 26, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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91-day bills (to maturity date) to be issued July 6, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated April 6, 1961, and to mature October 5, 1961, originally issued in the amount of $600,239,000 (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182-day bills, for $ 500,000,000, or thereabouts, to be dated July 6, 1961, and to mature January 4, 1962.

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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, June 30, 1961. 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.

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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 April 6, 1961, (91-days remaining until maturity date on October 5, 1961) 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 6, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 6, 1961. 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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in timing and the utilization of expenditures on a countercyclical basis.

4. The strengthening of our "automatic stabilizers". for example, the revision of unemployment compensation to increase both benefit levels and duration on a permanent basis similar to that enacted temporarily to deal with the last two recessions.

5. Some examination of the destabilizing character of consumer credit and inventory investment.

1. Improvements in budgetary policy to reduce unnecessary volatility of orders for durable goods by the Federal government.

2. The grant of discretionary authority to the President to effect short-run economic stabilization on both the up and down side. The most recent suggestion of this nature was the recommendation of the Commission on Money and Credit that Congress grant to the President limited conditional power to make temporary counter-cyclical adjustments in the first bracket rate of personal income tax, to be limited to 5 percentage points upward or downward.

3. The provision of more adequate planning for worthwhile but postponable public works projects under conditions that would permit greater executive flexibility

reduced prices with the user or consumer of the product or service.

Past experience also suggests that even within the ambit of existing monetary, fiscal and credit tools there are gaps.

I shall not prejudge in any way whether additional tools should be provided to those chiefly responsible for assuring a better performance in the achievement of our national economic goals. Some who have studied the situation most closely suggest the possibility of additional procedures designed to reconcile reasonable price stability with economic growth at levels close to our potential.

Some of the approaches most often suggested are:

them at excessive levels, the result may be the loss of reasonable price stability and demand at home and abroad.

Up to now, increased competition as a result of a vigorous antitrust program and keeping the door open to import competition seem to provide the most useful methods for reducing the impact of abuses of market power. It is to be hoped that the President's Labor-Management Advisory Committee will chart some beginning steps, short of price and wage controls, toward making private organizations which possess "market power" more responsive to the public interest to the end that this power will not be abused. It is to be hoped that some means may be developed whereby the benefits of increased volume and productivity may more often be shared through appraising current business conditions.

And, scanning the guidelines and policy instruments that objective students of our economic system believe desirable to stimulate recovery, to guide recovery in full flight, and to deal with incipient or real recession, it would appear that there are serious gaps in the ready availability of some of the policy instruments considered important.

Some experts hold that under certain conditions monetary, credit and fiscal measures alone may not be sufficient to achieve our national economic goals. For example, if resources in plant capital and labor move too slowly as elements of demand shift, or if some private groups in the economy abuse their market power to push prices or wages too high or to maintain

Does the experience of the last two recoveries and recessions, plus a recognition of these economic facts of life, suggest the optimistic possibility that Federal policies on expenditures, taxation, debt management and credit may be mixed in the current recovery so as to achieve our national economic goals? The choice and mix of existing policy instruments and their effective coordination between the Executive Departments, the Federal Reserve Board and the Congress will be of great importance. Each policy instrument has its role, but each has its limitation, so that excessive reliance must not be placed on any one of them. Moreover, they must be used in response to economic diagnoses which can be quite difficult in terms of the time lag and the imperfect art of in a free society voluntarily claim less than the law allows and voluntarily do more than the law requires, then the protection of all society will continuously demand more law, more government, and less freedom. The alternativ to voluntary self-restraint is the imposition of restraint from mobilized public opinion leading to the intervention of government.

The third fact of economic life in sustaining the duration of this recovery and resisting any tendency to serious decline is the need to recognize that no one of these economic goals can be wholly unqualified, because each may have to be sought subject to constraints imposed by other goals or at costs representing sacrifices, to some degree, of other goals.

A fair analysis of our economic system and its functioning since World War II would show that both government and the private sector of the economy share the blame for our failure to achieve our national economic goals through sustaining our recoveries.

In a system such as ours, we cannot escape the necessity and desirability of coordinating both government activities and actions in the private sector of the economy if the nation is to lengthen periods of economic climb and reduce the periods of decline or stagnation.

Since the American people desire to achieve our material goals within an atmosphere of personal opportunity and individual freedom, it must be emphasized that the price of this freedom is a good measure of self-discipline and wise economic conduct in the private sector. As has been recently said, "Unless individuals and groups of individuals

The first is the factor of timing. The way in which the nation employs and enjoys the early phase of the recovery has a great deal to do with how long it will last and how quickly tendencies to recession can be overcome when they recur.

It is in the early stages of an economic recovery that there is sufficient lead time to forge the instruments and policies for both government and private conduct so that they can be brought to bear effectively upon the tendency to recession.

It is too late to gear public and private action to avoid or cure quickly the economic illness of recession if the nation waits for the illness to take hold before looking to and providing methods of prevention and cure.

The second fact of economic life in sustaining the duration of this recovery has to do with the importance of coordinating both governmental and private action.

an annual rate of $24 billion in Federal finances from deficit to surplus.

(2) The exercise of fiscal restraint on general economic expansion, accompanied by a tightening of credit conditions. (He particularly notes that long-term interest rates advanced faster than during a comparable stage of any business cycle during the past one hundred years.)

(3) The protracted steel strike in the second half of 1959 which led to a sharp build-up of inventory and a boom psychologically in the spring and summer of 1959, hesitation in placing of orders for investment goods, and finally a new economy in managing inventories.

It would be a tragic mistake if the nation failed to realize at least three important facts of economic life in sustaining the duration of this recovery and arresting any tendency to serious decline.

To wait until strong inflationary pressures build up is to risk cutting short the recovery. As was said in the Staff Report of the Joint Economic Committee of the Congress: "The die for the inflation in 1956 and 1957 was cast in 1955.

To be forced to employ the meat axe of excessive monetary and fiscal brakes at the sacrifice of maintaining a growth of total demand is not an adequate answer in the light of experience.

Let us turn to the eminent economist, Dr. Arthur F. Burns, who earlier was Chairman of President Eisenhower's Council of Economic Advisors, for an analysis of the reasons for the failure of the recovery of 1958-1960. While acknowledging that many factors contributed, he feels that three developments were decisive;:

(1) A violent shift in Federal finances which saw in a period of little more than a year a turnaround at

prevalent and exercised in important industries. It added substantially to the inflation, with steel prices the glaring example. This, in turn, drove up costs in many steel using industries. Many of these industries also were able to pass on their high unit costs in the face of falling demand. In fact, in many sectors of the economy, there was no marked fall-off in prices in the recession or a sharing with the consumer of increasing profits or productivity in the subsequent recovery./

Also, the prices of services rose substantially in this period.

In an effort to meet these various sources of inflation, some of which were beyond the reach of monetary and fiscal policy, the brakes were stepped on hard. One result was that the predictions of high levels of output turned out to be overly optimistic, and the important factor of a sustai growth of total demand faded away.

sustained for longer periods because inflationary tendencies and efforts to counter them led to a dampening of demand. The attempt to achieve full employment and adequate growth without inflation failed. The 1955 recovery foundered in 1958 on the shoals of inflationary pressures which were checked by a too-restrictive monetary and fiscal policy, faulty price and wage policies, and marked instability of demand.

The tremendous upswing of 1955, marked by a rapid increa in consumer credit, led to very high profits in some industries which, in turn, led to some substantial wage settlements. Also, a capital goods boom produced excess demand in the machinery industries and thereby an increase in machinery prices, also causing rising prices in construction.

Moreover, market power -- that is, the power to raise prices in the absence of excess demand -- was widely in it, to take much thought as to how another recession can be avoided or minimized.

Indeed, many may become so intent on accelerating the rate and thrust of the recovery that they may ignore or treat lightly the challenge to sustain it, forgetting President Kennedy's wise admonition that "we cannot expect to make good in a day or even a year the accumulated deficiencies of several years."

While no two economic recoveries are likely to present identical problems, it is timely now to attempt to identify some of the factors that the experts believe caused our recent recoveries to be foreshortened and to turn into recessions. Perhaps they will provide some guidelines on how to sustain the current recovery.

It is the judgment of many analysts of economic events that the recoveries beginning in 1955 and 1958 were not

Since World War II, approximately fourteen quarterly periods or twenty-three percent of the total have been periods of recession.

Every American has an important stake in avoiding the early recurrence of another recession and in minimizing those periods in which the economy either stagnates or falls back.

Yet all of us are quite familiar with the natural tendency of the human being, ordinary and extraordinary, to forget the danger once it has passed. Now that the recent recession is over and the nation's economy has turned the corner, many are too much inclined to be concerned only with the effect of the coming prosperity on their own economic prospects.

Business and labor may become too absorbed with the pace and thrust of the current recovery, and their share

Price and wage decisions could affect the level of demand for affected products in domestic and export markets, thereby resulting in curtailed or increased output.

The full realization of rising productivity potential could be blocked by arbitrary impediments that restrict output or hinder more efficient techniques.

Decisions of what and how much to produce, how the proceeds are to be shared, how much is to be invested or reinvested, what and how much is purchased by consumers or users of goods and services -- these are made by individuals primarily in response to market forces.

In the achievement of full recovery and adequate growth, as with our other national economic goals, the quality and behavior of the private citizen may be the most influential factor.

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For example, consumer purchasing may depend upon consumer choice or a decision not compelled by necessity. Private investment may depend upon many factors apart from a shortage of capital.

Indeed, it is difficult to escape from the importance of psychological factors. A healthy economic recovery and growth will depend heavily upon the confidence, initiative, incentive, optimism, and industry of the private citizen.

In addition to governmental policy and related psychological factors, a healthy recovery and economic growth in our free society will depend upon many private decisions beyond the direct influence or control of government.

These decisions are of many types.

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times of a great boom? How should any excess of revenues over current expenditures during the recovery be divided as between increased expenditures, tax reduction and debt retirement?

4. The coordination of monetary and fiscal policy so as to permit the maintenance of a healthy, growing economy.

These specific decisions and the countless others that flow from the mix of governmental monetary, fiscal and credit policies will affect in varying degrees the great private sector of the economy. In the final analysis it is here that the die is cast -- where the largest elements in the level of demand are finally determined.

emphasize the direct provision by government of goods and services, or to stimulate private investment and advances in technology.

2. The nature of our basic tax structure -- to what degree will it be revised for purposes of equity or to influence levels of private investment or consumption?

3. The revenue-raising character of the tax system. It is estimated that, at current expenditure levels, the budget would balance with unemployment between 5.5 and 6 percent. Should the tax system be modified so as to avoid becoming a drag on full employment but thereby become a less powerful anti-inflationary brake in

in recent years as an increasingly strong deterrent to the achievement of our national economic goals.

Lying beyond the provision of these specific tools for healthy recovery and growth is the complex of decisions that must be repeatedly made by the Federal Government, by State and local governments, by private business concerns, by consumers, by investors, by borrowers, by lenders, by you and me. It is the sum total of these decisions that are determinative.

What are some of the key decisions that will determine the future outlook for recovery and growth?

Several basic decisions by the Federal Government lie ahead, concerning:

1. The level and makeup of government expenditure programs and direct lending programs for the fiscal year 1963 -- whether to

the likelihood of eventual use. Moreover, the stimulus to business investment should promote recovery and increase employment.

Also pending for enactment is a measure importantly related to employment and growth; namely, the new Manpower Development and Training Program. This measure would initiate the training and retraining of workers suffering from chronic or long term unemployment as a result of technological factors. Their skills, made obsolete by automation and industrial change, would be replaced by new skills which new processes demand.

If enacted, this measure, coupled with the depressed areas program already launched, would mark the first major attempt to tackle the problem of so-called structural unemployment, which has loomed up

This statement couples the need for prompt enactment of both the President's program for aid to education and his investment incentive tax credit proposal, now pending in the House of Representatives. The latter would offer a special tax credit as an incentive for investment by business in new plant and equipment. It is designed to encourage moderniz- ation and expansion of the nation's productive plant to accelerate economic growth and improve the international competitive position of American industry. It will encourage the incorporation of modern research and technology in new facilities which should, in turn, advance productivity, reduce costs, and lead to marketing of new products. This should indirectly encourage private industrial research by increasing

As put recently by the Council of Economic Advisors:

"The improvement of technology and the increase of skills go hand-in-hand with ordinary capital formation to increase productive capacity. Their interaction is far more powerful than the sum of their independent effects. Technical advance without modernization of facilities loses much of its potential effect on output, and it has been observed that mere increase of capital without technological progress also has weak effects on productivity. But together they are responsible for the long-term growth of American productive potential."

the housing and urban rehabilitation legislation and the revised Federal highway bill.

But of great importance to healthy economic recovery and growth is the enactment into legislation of other Presidential recommendations which are still being considered by the Congress.

Let us consider only a few examples.

The President's program for aid to education would give an immediate and substantial boost to the economy by stimulating needed school construction and increasing incomes of teachers. But beyond that, such a program is vital to the nation's future economic growth, apart from its other values. A basic component of any program for accelerated growth must be investment in the extension of knowledge, the general education of the population, and the training of the labor force.

History has already recorded the actions undertaken by the past and present Federal Administrations to achieve this result. Familiar to most are the new enactments by this Congress to add new tools to the Presidential kit -- for example, the depressed areas law and the provision of temporary special unemployment benefits for those suffering from unemployment of long duration.

Of more concern today than these necessary first steps are those actions which remain to be taken to promote a healthy recovery and sustained growth.

Much of the answer is to be found in elements in the President's legislative program which remain to be enacted.

Other bills which will add to public and private demand are well on their way to enactment -- for example, Given the desirability of a healthy and vigorous recovery, how can it be fostered and achieved in the period ahead?

Putting in more common parlance the technical answer given by economists, it adds up to this: Handle taxes, government spending, government credit, money supply levels, interest rate structure, so that the <u>total</u> of the money you and I spend as consumers, the money invested in business, the money spent by government (Federal, State and local), will increase steadily the output of goods and services and the persons employed -- and the <u>division</u> of the output between personal consumption, private plant and equipment and inventories, and government programs will result in a steady growth of the private wealth producing sector.

This modernization and expansion is not likely to occur except in response to a healthy and vigorous economic recovery marked by an increasing demand for products and services.

These are some of the reasons why the pace and thrust of the current economic recovery are important and why in the years ahead the nation cannot be content merely to hold fast to existing levels of economic activity and capacity.

on which our national security and leadership in the struggle of competitive coexistence may well depend.

The nation needs to modernize its industrial and business plant so that we can compete successfully with our friends and allies in the developed markets at home and in Western Europe and in the developing markets in Asia, Africa and Latin America. If the United States does not compete successfully, it cannot sell the products necessary to the favorable balance of trade that enables us to achieve a balance of payments.

We need to expand this plant capacity if we are to provide the bone and muscle that will keep the nation ahead of potential enemies who seek to "bury" us either by outright aggression or the attainment of superior economic power.

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If our friends have grown and modernized more rapidly than we, what about those who are not so friendly? The rate of industrial growth in the Sino-Soviet Bloc challenges us to maintain our economic and industrial superiority, Also, unhappily, the nation is underutilizing our labor force, which stands ready and willing to operate the unused capacity of our industrial plant. And yet, the current high unemployment rate of 6.8 percent could remain in its present range -- or even expand with the anticipated influx of over a million young men and women a year to the labor force -- unless the current economic recovery is a healthy and vigorous one. A flourishing economy can make this influx of young blood into our economic lifestream a glorious opportunity. A stagnant economy could make it an occasion for despair, converting the American dream into a nightmare for many of our younger citizens.

A healthy and vigorous economic recovery can also lead to needed increases in the rate of both the five hundred thousand net new additions to the work force during the next ten years; to improve the standard of living; and to assure U. S. competitive strength.

There is unusual and unutilized capacity and opportunity for increased economic activity throughout much of America: in steel, in autos, in housing, in textiles, in mining, in chemicals, in the depressed and distressed areas such as the Appalachian region in which we are meeting today -- indeed, everywhere we look.

These unused resources are wasting assets which a healthy recovery would activate for increased national plenty and strength -- including, and of importance to the Treasury Department, the revenues which are needed to meet our national security requirements and other essential needs on a balanced budget.

Now, to consider our national opportunity to act in such a manner that this recovery will be a healthy and vigorous one: Why is this important? Why cannot we be content with a mere creeping advance or a holding operation?

The Report of President Eisenhower's Commission on National Goals last fall answered these questions as follows:

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One astonishing aspect of these various studies is the substantial measure of agreement one finds, on close analysis, in the policy proposals for an improved performance. Indeed, there seems to be a considerable consensus among informed observers and experts. It leads one to wonder whether education of the many by the few is not the root of the problem.

Perhaps that is why last week President Kennedy urged that many in the Congress and the public read the Report of the Commission on Money and Credit.

In any event, the situation is ripe for progress.

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Hence, a splendid opportunity with a favorable momentum and that priceless element -- time -- is presented to the American people to do a better job in achieving our national economic goals.

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This was all brought home in President Kennedy's second economic message to the Congress when he observed that:

> "Our balance of payments -- the accounting which shows the result of all of our trade and financial relations with the outside world -- has become one of the key factors in our national economic life."

In moving rapidly to arrest the imbalance of payments of approximately $11 billion in the preceding three years, which resulted in a disturbing outflow of gold that threatened to weaken the dollar as the world's leading reserve currency, the President inaugurated a new national discipline in financial policy which will be a landmark in our national economic life in years to come.

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the context of such other important national objectives as the preservation of adequate national security, the maintenance of harmonious international relations, and reliance on competitive enterprise with economic freedom and market mechanisms for a primary role in allocation of products and resources.

Equally significant is the newly-felt necessity for the pursuit of our national economic goals with full awareness of the international as well as the domestic impact of our economic policies and practices. This adds up to a relatively new national economic goal — the avoidance of any substantial imbalance in our international payments.

During the postwar period, the U. S. was able to employ a mix of domestic economic measures, public and achieving these goals by more effective coordination of governmental effort and private action.

This viewpoint is one substantially shared and expressed in President Eisenhower's last Economic Report, and the Report of the President's Commission on National Goals released in late 1960. And just last week the President commended to the attention of the Congress and the citizenry a detailed and extensive report in the same vein of the Commission on Money and Credit, composed of private citizens from various sectors of our society who had conducted a three-year study of the influence of money and credit on jobs, prices and growth.

Of course, this national consensus recognizes that these three national economic goals must be pursued in unemployment, and at the same time to maintain reasonable stability of the price level. For 1962 and 1963 our programs must aim at expanding American productive capacity at a rate that shows the world the vigor and vitality of a free economy. These are not merely fond hopes, they are realistic goals. We pledge and ask maximum effort for their attainment."

In so setting the nation's near-term sights on a healthy and vigorous recovery, President Kennedy confirmed a striking national consensus: that our national economic goals include a healthy rate of economic growth, a low level of unemployment, and reasonably stable price levels, and that we must improve our national performance in about the performance of that economy.

It was against this backdrop that the new President submitted his first economic message to the Congress entitled "A Program to Restore Momentum to the American Economy." Its keynote went as follows:

> "The Nation cannot -- and will not -- be satisfied with economic decline and slack. The United States cannot afford, in this time of national need and world crisis, to dissipate its opportunities for economic growth. We cannot expect to make good in a day or even a year the accumulated deficiencies of several years. But realistic aims for 1961 are to reverse the downtrend in our economy, to narrow the gap of unused potential, to abate the waste and misery of

and overcome rapidly the inevitable tendency of the economy at some unpredictable point in the future to turn down into a recession.

Before considering these opportunities, our national economic goals should be identified.

When President Kennedy was inaugurated in that never to be forgotten January week of the blizzard, he was confronted by a recession that began seven months earlier. That recession had followed a period of recovery or advance of approximately twenty-five months which had been preceded by the recession of 1957 and 1958. Ever higher residues of unemployment of increasing duration had marked the peak of each preceding recovery. The slow growth of the American economy of the past six years, which coincided with some rise in the price level, added to the concern be an annual rate between $525 and $535 billion, as compared with the first quarter rate of $499 billion. We in Treasury believe that the figure will be nearer $530 billion. We also hope that the appreciable gains of around six percent in 1961, despite a bad first quarter, can be bettered in 1962.

Today, I should like to discuss some of the opportunities this fledgling business recovery, now in its third month, presents to the nation to do a better job in achieving our national economic goals.

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The biggest news at home this spring is the business recovery -- the turn from a recession that began in the spring of 1960 -- a recession which held back the economy from the new high ground of growth that had been anticipated for 1960, causing it to sag disturbingly until the recent turnabout.

Now that the economy is moving forward again, the question most often asked is how fast will it thrust upward and what peaks will it reach in the last half of 1961 and in 1962. The economic forecasters are having a heyday making book on the rate at which the economy, as measured by the gross national product, will be operating by the turn of the year. The range of estimate seems to

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TREASURY DEPARTMENT
Washington

June 27, 1961

For Release: Upon Delivery

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If enacted, this measure, coupled with the depressed areas program already launched, would mark the first major attempt to tackle the problem of so-called structural unemployment, which has loomed up in recent years as an increasingly strong deterrent to the achievement of our national economic goals.

Lying beyond the provision of these specific tools for healthy recovery and growth is the complex of decisions that must be repeatedly made by the Federal Government, by State and local governments, by private business concerns, by consumers, by investors, by borrowers, by lenders, by you and me. It is the sum total of these decisions that are determinative.

What are some of the key decisions that will determine the future outlook for recovery and growth?

Several basic decisions by the Federal Government lie ahead, concerning:

1. The level and makeup of government expenditure programs and direct lending programs for the fiscal year 1963 -- whether to emphasize the direct provision by government of goods and services, or to stimulate private investment and advances in technology.

2. The nature of our basic tax structure -- to what degree will it be revised for purposes of equity or to influence levels of private investment or consumption?

3. The revenue-raising character of the tax system. It is estimated that, at current expenditure levels, the budget would balance with unemployment between 5.5 and 6 percent. Should the tax system be modified so as to avoid becoming a drag on full employment but thereby become a less powerful anti-inflationary brake in times of a great boom? How should any excess of revenues over current expenditures during the recovery be divided as between increased expenditures, tax reduction and debt retirement?

4. The coordination of monetary and fiscal policy so as to permit the maintenance of a healthy, growing economy.

These specific decisions and the countless others that flow from the mix of governmental monetary, fiscal and credit policies will affect in varying degrees the great private sector of the economy.

In the final analysis it is here that the die is cast -- where the largest elements in the level of demand are finally determined.

For example, consumer purchasing may depend upon consumer choice or a decision not compelled by necessity. Private investment may depend upon many factors apart from a shortage of capital.

Indeed, it is difficult to escape from the importance of psychological factors. A healthy economic recovery and growth will depend heavily upon the confidence, initiative, incentive, optimism and industry of the private citizen.

In addition to governmental policy and related psychological factors, a healthy recovery and economic growth in our free society will depend upon many private decisions beyond the direct influence or control of government.

These decisions are of many types.

Price and wage decisions could affect the level of demand for affected products in domestic and export markets, thereby resulting in curtailed or increased output.

The full realization of rising productivity potential could be blocked by arbitrary impediments that restrict output or hinder more efficient techniques.

Decisions of what and how much to produce, how the proceeds are to be shared, how much is to be invested or reinvested, what and how much is purchased by consumers or users of goods and services -- these are made by individuals primarily in response to market forces.

In the achievement of full recovery and adequate growth, as with our other national economic goals, the quality and behavior of the private citizen may be the most influential factor.

There has been little recent discussion of our final topic -- the national opportunity to act so as to sustain the recovery for a long period and be able to meet effectively and overcome rapidly at some future unpredictable point the inevitable tendency to a recession.

The unfortunate impact of recession on standard of living, unemployment, and an adequate rate of growth, is too well known to require statistical demonstration.

In periods of recession the extent and duration of unemployment are at their height.

The loss of growth in these periods sharply reduces the average rate of growth over a period of years.

The last recession was accompanied by a sharp increase in short-term capital flow from the United States, thereby creating a serious balance of payments problem.

Since World War II, approximately fourteen quarterly periods or 23 percent of the total have been periods of recession.

Every American has an important stake in avoiding the early recurrence of another recession and in minimizing those periods in which the economy either stagnates or falls back.

Yet all of us are quite familiar with the natural tendency of the human being, ordinary and extraordinary, to forget the danger once it has passed. Now that the recent recession is over and the nation's economy has turned the corner, many are too much inclined to be concerned only with the effect of the coming prosperity on their own economic prospects.

Business and labor may become too absorbed with the pace and thrust of the current recovery, and their share in it, to take much thought as to how another recession can be avoided or minimized.

Indeed, many may become so intent on accelerating the rate and thrust of the recovery that they may ignore or treat lightly the challenge to sustain it, forgetting President Kennedy's wise admonition that "we cannot expect to make good in a day or even a year the accumulated deficiencies of several years."

While no two economic recoveries are likely to present identical problems, it is timely now to attempt to identify some of the factors that the experts believe caused our recent recoveries to be foreshortened and to turn into recessions. Perhaps they will provide some guidelines on how to sustain the current recovery.

It is the judgment of many analysts of economic events that the recoveries beginning in 1955 and 1958 were not sustained for longer periods because inflationary tendencies and efforts to counter them led to a dampening of demand. The attempt to achieve full employment and adequate growth without inflation failed. The 1955 recovery foundered in 1957 on the shoals of inflationary pressures which were checked by a too-restrictive monetary and fiscal policy, faulty price and wage policies, and marked instability of demand.

The tremendous upswing of 1955, marked by a rapid increase in consumer credit, led to very high profits in some industries which, in turn, led to some substantial wage settlements. Also, a capital goods boom produced excess demand in the machinery industries and thereby an increase in machinery prices, also causing rising prices in construction.

Moreover, market power -- that is, the power to raise prices in the absence of excess demand -- was widely prevalent and exercised in important industries. It added substantially to the inflation, with steel prices the glaring example. This, in turn, drove up costs in many steel-using industries. Many of these industries also were able to pass on their high unit costs in the face of falling demand. In fact, in many sectors of the economy, there was no marked fall-off in prices in the recession or a sharing with the consumer of increasing profits or productivity in the subsequent recovery.

Also, the prices of services rose substantially in this period.

In an effort to meet these various sources of inflation, some of which were beyond the reach of monetary and fiscal policy, the brakes were stepped on hard. One result was that the predictions of high levels of output turned out to be overly optimistic, and the important factor of a sustained growth of total demand faded away.

To wait until strong inflationary pressures build up is to risk cutting short the recovery. As was said in the Staff Report of the Joint Economic Committee of the Congress: "The die for the inflation in 1956 and 1957 was cast in 1955."

To be forced to employ the meat axe of excessive monetary and fiscal brakes at the sacrifice of maintaining a growth of total demand is not an adequate answer in the light of experience.

Let us turn to the eminent economist, Dr. Arthur F. Burns, who earlier was Chairman of President Eisenhower's Council of Economic Advisors, for an analysis of the reasons for the failure of the recovery of 1958-1960. While acknowledging that many factors contributed, he feels that three developments were decisive:

(1) A violent shift in Federal finances which saw in a period of little more than a year a turnaround at an annual rate of $24 billion in Federal finances from deficit to surplus.

(2) The exercise of fiscal restraint on general economic expansion, accompanied by a tightening of credit conditions. (He particularly notes that long-term interest rates advanced faster than during a comparable stage of any business cycle during the past 100 years.)

(3) The protracted steel strike in the second half of 1959 which led to a sharp build-up of inventory and a boom psychologically in the spring and summer of 1959, hesitation in placing of orders for investment goods, and finally a new economy in managing inventories.

It would be a tragic mistake if the nation failed to realize at least three important facts of economic life in sustaining the duration of this recovery and arresting any tendency to serious decline.

The first is the factor of timing. The way in which the nation employs and enjoys the early phase of the recovery has a great deal to do with how long it will last and how quickly tendencies to recession can be overcome when they recur.

It is in the early stages of an economic recovery that there is sufficient lead time to forge the instruments and policies for both government and private conduct so that they can be brought to bear effectively upon the tendency to recession.

It is too late to gear public and private action to avoid or cure quickly the economic illness of recession if the nation waits for the illness to take hold before looking to and providing methods of prevention and cure.

The second fact of economic life in sustaining the duration of this recovery has to do with the importance of coordinating both governmental and private action. A fair analysis of our economic system and its functioning since World War II would show that both government and the private sector of the economy share the blame for our failures to achieve our national economic goals through sustaining our recoveries.

In a system such as ours, we cannot escape the necessity and desirability of coordinating both government activities and actions in the private sector of the economy if the nation is to lengthen periods of economic climb and reduce the periods of decline or stagnation.

Since the American people desire to achieve our material goals within an atmosphere of personal opportunity and individual freedom, it must be emphasized that the price of this freedom is a good measure of self-discipline and wise economic conduct in the private sector. As has been recently said, "Unless individuals and groups of individuals in a free society voluntarily claim less than the law allows and voluntarily do more than the law requires, then the protection of all society will continuously demand more law, more government, and less freedom. The alternative to voluntary self-restraint is the imposition of restraint from mobilized public opinion leading to the intervention of government."

The third fact of economic life in sustaining the duration of this recovery and resisting any tendency to serious decline is the need to recognize that no one of these economic goals can be wholly unqualified, because each may have to be sought subject to constraints imposed by other goals or at costs representing sacrifices, to some degree, of other goals.

Does the experience of the last two recoveries and recessions, plus a recognition of these economic facts of life, suggest the optimistic possibility that Federal policies on expenditures, taxation, debt management and credit may be mixed in the current recovery so as to achieve our national economic goals? The choice and mix of existing policy instruments and their effective coordination between the Executive Departments, the Federal Reserve Board and the Congress will be of great importance. Each policy instrument has its role, but each has its limitation, so that excessive reliance must not be placed on any one of them. Moreover, they must be used in response to economic diagnoses which can be quite difficult in terms of the time lag and the imperfect art of appraising current business conditions.

And, scanning the guidelines and policy instruments that objective students of our economic system believe desirable to stimulate recovery, to guide recovery in full flight, and to deal with incipient or real recession, it would appear that there are serious gaps in the ready availability of some of the policy instruments considered important.

Some experts hold that under certain conditions monetary, credit and fiscal measures alone may not be sufficient to achieve our national economic goals. For example, if resources in plant capital and labor move too slowly as elements of demand shift, or if some private groups in the economy abuse their market power to push prices or wages too high or to maintain them at excessive levels, the result may be the loss of reasonable price stability and demand at home and abroad.

Up to now, increased competition as a result of a vigorous antitrust program and keeping the door open to import competition seem to provide the most useful methods for reducing the impact of abuses of market power. It is to be hoped that the President's Labor-Management Advisory Committee will chart some beginning steps, short of price and wage controls, toward making private organizations which possess "market power" more responsive to the public interest to the end that this power will not be abused. It is to hoped that some means may be developed whereby the benefits of increased volume and productivity may more often be shared through reduced prices with the user or consumer of the product or service.

Past experience also suggests that even within the ambit of existing monetary, fiscal and credit tools there are gaps.

I shall not prejudge in any way whether additional tools should be provided to those chiefly responsible for assuring a better performance in the achievement of our national economic goals. Some who have studied the situation most closely suggest the possibility of additional procedures designed to reconcile reasonable price stability with economic growth at levels close to our potential.

Some of the approaches most often suggested are:

1. Improvements in budgetary policy to reduce unnecessary volatility of orders for durable goods by the Federal government.

2. The grant of discretionary authority to the President to effect short-run economic stabilization on both the up and down side. The most recent suggestion of this nature was the recommendation of the Commission on Money and Credit that Congress grant to the President limited conditional power to make temporary counter-cyclical adjustments in the first bracket rate of personal income tax, to be limited to 5 percentage points upward or downward.

3. The provision of more adequate planning for worthwhile but postponable public works projects under conditions that would permit greater executive flexibility in timing and the utilization of expenditures on a countercyclical basis.

4. The strengthening of our "automatic stabilizers" -- for example, the revision of unemployment compensation to increase both benefit levels and duration on a permanent basis similar to that enacted temporarily to deal with the last two recessions.

5. Some examination of the destabilizing character of consumer credit and inventory investment.

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As you can see from the first table, our debt projections, plus the $3 billion allowance for flexibility, will reach a high point of $298 billion during the winter months. A temporary limit of that amount should give us sufficient elbow-room for maximum efficiency of operations and yet not impair any useful function which may be served by the public debt limitation.

The intended function of the debt limit is but poorly served, I think, when a specific limit fits so closely that the Treasury is forced to obtain additional funds--at higher cost--through the market borrowings of Federal agencies not subject to the statutory debt limit. Indeed the Government was forced to take such steps a few years ago when the debt ceiling imposed too tight a limit on Government fiscal operations. In addition the Treasury in its own borrowings has at times had to defer borrowings when it would have been advantageous or to engage in piecemeal borrowings because of the limitations of too little margin under the debt ceiling.

In conclusion, I believe that a temporary increase in the debt limit to $298 billion is essential to the orderly and economical management of the Government's finances, and I earnestly recommend its prompt approval by this Committee.

first table attached to my statement. One important assumption in preparing these projections is that the Treasury's operating balance at the Federal Reserve Banks and private commercial banks would hold steady throughout the period at $3.5 billion. That is actually a rather low working balance for an operation as large and as subject to sharp fluctuations in receipts and expenditures as is the management of the Treasury's cash position. A balance of $3.5 billion would cover only a little over half of an average month's budget expenditures, which is a much lower ratio of cash holdings to expenditures than is maintained by the average business corporation.

In fact, as shown in the second attached table, the operating balance has been more often above than below $3.5 billion during the fiscal year now ending. It has averaged closer to $5 billion than to $3.5 billion, and this has provided a highly desirable and important degree of flexibility in the efficient conduct of day-to-day Treasury operations. It is because of this need for flexibility in the management of cash balances, and because of the inescapable uncertainties of revenue and expenditure estimates, that the $3 billion margin has been added to our calculation of the appropriate debt ceiling.

anticipate in the coming fiscal year will be helpful in putting our unused plant capacity and labor force to work.

Looking further ahead we can and do foresee a sharp increase in revenues in fiscal year 1963. This follows the same pattern as in previous recovery periods. Revenues increased very substantially in the fiscal years 1956 and 1960. In fact, during fiscal year 1960 the increase over the preceding year amounted to $9.8 billion. While naturally we cannot make any firm prediction at this point, I believe it is a reasonable expectation that we will be able to present a budget for fiscal year 1963 in which receipts exceed expenditures. For as the President stated in his message on budget and fiscal policy of March 24, 1961:

> Federal revenues and expenditures . . . should, apart from any threat to national security, be in balance over the years of the business cycle--running a deficit in years of recession when revenues decline and the economy needs the stimulus of additional expenditures, and running a surplus in years of prosperity, thus curbing inflation, reducing the public debt, and freeing funds for private investment.

This statement by President Kennedy clearly outlines our budgetary policy, a policy from which we have never wavered.

Our projections of the public debt at semi-monthly intervals during the fiscal year 1962 are shown in the extended unemployment compensation, aid to education, agricultural programs, and space exploration. The spending for unemployment compensation is under a program very similar to what was done in 1958. A substantial portion of the addition ~~The estimated addition to~~ spending on agricultural programs ~~in part~~ represents the use of more realistic assumptions in preparing our spending estimates. In the areas of defense spending and space exploration, the force of external events has called for additional programs that would and should have been undertaken, in some form, whatever Administration was in office. In short, in my view the budget changes since January simply do not add up to the picture of unrestrained spending that some have sought to draw.

Moreover, the ~~[illegible]~~ deficit now anticipated for fiscal year 1962 will not have an inflationary impact on our economy. For while we do expect the economy throughout this period to be recovering sturdily, the period as a whole will not be one of full prosperity. For today there is substantial unused capacity in every part of our industrial structure, and most seriously in our labor force. Rather than creating the inflationary pressures that are inevitably associated with deficits in times of full employment, the deficit we important in our over-all revenue structure. But the corporate tax revenues which will be available to us in fiscal 1962 will be based on corporate profits during the present calendar year which includes the lowest point of the recession. In effect, while the economy is recovering, our corporate income tax revenues will still be at recession levels. The same applies, to a somewhat lesser extent, to individual income tax collections above the standard withholding deductions, because these collections are largely dependent on incomes realized during calendar year 1961. Therefore, the coming fiscal year will be one of continued recession revenues as far as the Federal Government is concerned.

On the spending side, the latest estimates indicate that the January budget underestimated expenditures for going programs by about $ 400 million. In addition, President Kennedy has proposed certain programs which he considers vital in terms of fulfilling needs for national defense, promoting a healthy and vigorously growing economy at home, and meeting the challenge of space exploration. Total budgetary expenditures under for ? these new proposals in fiscal year 1962 are expected to amount to $ 3.8 billion. The main increases in spending that we expect for 1962, compared with those in the January budget message, are for defense, highway-building program on a fully self-sustaining basis, to eliminate the postal deficit by raising postal rates, and to maintain various tax rates otherwise scheduled for reduction or termination. Since the preparation of these estimates the Congress has acted favorably on the President's request for continuation of existing tax rates. In addition, the Congress has completed action on the highway financing bill ~~that~~ which avoids any diversion of general revenues during fiscal 1962. However, there has as yet been no action on postal rate increases which were recommended in the amount of $741 million. If the Congress fails to act on this legislation the expected fiscal 1962 deficit would be increased to $4.4 billion, and the Treasury's margin of flexibility would be reduced to $2 1/4 billion.

I might add that the currently projected budget deficit of $3.7 billion for the fiscal year 1962 compares with deficits of $4.2 billion and $12.4 billion in the fiscal years following the two previous business recessions (the fiscal years 1955 and 1959). It may seem incongruous that with a vigorous recovery already under way, we nonetheless expect a deficit next year. The reason for this deficit is simple. Corporate income tax revenues, as you know, are highly in any year. There is no way by which the debt ceiling can be effective in limiting Congressional authorizations to spend, because there is no direct and immediate connection between Congressional authorizations and their effects on the public debt which will be felt months or even years later, when the spending takes place.

In arriving at the projected need for a temporary debt ceiling of $298 billion, the latest budget estimates have been taken into account, including full allowance for all of the new or expanded programs recommended by the President in his message of May 25 on "Urgent National Needs." Budget outlays for fiscal 1962 are now estimated at $85.1 billion. The increase of $800 million from the $84.3 billion figure reported in late March largely represents additional funds for space exploration, defense and military assistance, expanded lending to small business, and programs to alleviate structural unemployment. Budget revenues are still estimated at $81.4 billion, the same as reported in March, indicating a deficit of $3.7 billion. These spending and revenue projections have been based on the assumption that the Congress would act

favorably on the President's recommendations to put the

To provide this margin, I believe that an allowance of $3 billion--the same allowance that has been made in previous years --should be added to the projected high point of $295 billion in the public debt during fiscal year 1962. This clearly indicates the need for a temporary debt ceiling of $298 billion in the forthcoming fiscal year.

As you know, setting the temporary debt limit at $298 billion is by no means a "license" to spend freely out of borrowings up to that amount. Federal expenditures are determined on the basis of Congressional authorizations and appropriations, and I am wholeheartedly in support of observing strict discipline in weighing the merits of the many competing demands for additional expenditures. If the Congress wished to set limits on its own actions in authorizing expenditures, it could do so directly by placing a ceiling on new spending authorizations

Statement of the Honorable Douglas Dillon,
Secretary of the Treasury, before the
Senate Finance Committee, Tuesday, June 27, 1961, 10:00 a.m.

Mr. Chairman and members of the Committee, I am here today in support of a new temporary limit of $298 billion on the public debt for the fiscal year 1962.

Under the existing legislation, the current temporary ceiling of $293 billion reverts at the end of this month to $285 billion. On that date, June 30, 1961, which is now just a few days away, we estimate that the public debt subject to limitation will be about $289 billion. This is expected to include a cash balance of approximately $5-1/2 billion, which is about the usual balance for the end of the fiscal year.

During the next twelve months--the fiscal year 1962--we expect revenues to fall short of expenditures. On the assumption that we are able to close out fiscal year 1962 with a minimum working cash balance as low as $3.5 billion, we estimate a total public debt subject to limitation of about $290 billion on June 30, 1962. Because of normal seasonal factors, however, the end-of-June debt position is generally well below the high point reached during the fiscal year. Our current projections (as shown in Table I) indicate a net increase of about $6 billion in the public debt for the rest of the calendar year to a high of about $295 billion in December.

In addition, it is prudent to set the debt limit at a level that makes a reasonable provision for errors in the estimates as well as other unforeseen contingencies, and permits sufficient flexibility in debt management so that the efficiency of day-to-day operations is not impaired.

TREASURY DEPARTMENT
Washington

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June 27, 1961

For Release: Upon Delivery

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE
ON THE PUBLIC DEBT LIMIT
TUESDAY, JUNE 27, 1961, 10:00 A.M., EDT

D-153

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In addition, it is prudent to set the debt limit at a level that makes a reasonable provision for errors in the estimates as well as other unforeseen contingencies, and permits sufficient flexibility in debt management so that the efficiency of day-to-day operations is not impaired. To provide this margin, I believe that an allowance of $3 billion -- the same allowance that has been made in previous years -- should be added to the projected high point of $295 billion in the public debt during fiscal year 1962. This clearly indicates the need for a temporary debt ceiling of $298 billion in the forthcoming fiscal year.

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Congressional authorizations and appropriations, and I am wholeheartedly in support of observing strict discipline in weighing the merits of the many competing demands for additional expenditures. If the Congress wished to set limits on its own actions in authorizing expenditures, it could do so directly by placing a ceiling on new spending authorizations in any year. There is no way by which the debt ceiling can be effective in limiting Congressional authorizations to spend, because there is no direct and immediate connection between Congressional authorizations and their effects on the public debt which will be felt months or even years later, when the spending takes place.

In arriving at the projected need for a temporary debt ceiling of $298 billion, the latest budget estimates have been taken into account, including full allowance for all of the new or expanded programs recommended by the President in his message of May 25 on "Urgent National Needs." Budget outlays for fiscal 1962 are now estimated at $85.1 billion. The increase of $800 million from the $84.3 billion figure reported in late March largely represents additional funds for space exploration, defense and military assistance, expanded lending to small business, and programs to alleviate structural unemployment. Budget revenues are still estimated at $81.4 billion, the same as reported in March, indicating a deficit of $3.7 billion. These spending and revenue projections have been based on the assumption that the Congress would act favorably on the President's recommendations to put the highway-building program on a fully self-sustaining basis, to eliminate the postal deficit by raising postal rates, and to maintain various tax rates otherwise scheduled for reduction or termination. Since the preparation of these estimates the Congress has acted favorably on the President's request for continuation of existing tax rates. In addition, the Congress has completed action on the highway financing bill which avoids any diversion of general revenues during fiscal 1962. However, there has as yet been no action on postal rate increases which were recommended in the amount of $741 million. If the Congress fails to act on this legislation the expected fiscal 1962 deficit would be increased to $4.4 billion, and the Treasury's margin of flexibility would be reduced to $2-1/4 billion.

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Moreover, the deficit now anticipated for fiscal year 1962 will not have an inflationary impact on our economy. For while we do expect the economy throughout this period to be recovering sturdily, the period as a whole will not be one of full prosperity. For today there is substantial unused capacity in every part of our industrial structure, and most seriously in our labor force. Rather than creating the inflationary pressures that are inevitably associated with deficits in times of full employment, the deficit we anticipate in the coming fiscal year will be helpful in putting our unused plant capacity and labor force to work.

Looking further ahead we can and do foresee a sharp increase in revenues in fiscal year 1963. This follows the same pattern as in previous recovery periods. Revenues increased very substantially in the fiscal years 1956 and 1960. In fact, during fiscal year 1960 the increase over the preceding year amounted to $9.8 billion. While naturally we cannot make any firm prediction at this point, I believe it is a reasonable expectation that we will be able to present a budget for fiscal year 1963 in which receipts exceed expenditures. For as the President stated in his message on budget and fiscal policy of March 24, 1961:

> "Federal revenues and expenditures . . . should, apart from any threat to national security, be in balance over the years of the business cycle--running a deficit in years of recession when revenues decline and the economy needs the stimulus of additional expenditures, and running a surplus in years of prosperity, thus curbing inflation, reducing the public debt, and freeing funds for private investment."

This statement by President Kennedy clearly outlines our budgetary policy, a policy from which we have never wavered.

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As you can see from the first table, our debt projections, plus the $3 billion allowance for flexibility, will reach a high point of $298 billion during the winter months. A temporary limit of that amount should give us sufficient elbow-room for maximum efficiency of operations and yet not impair any useful function which may be served by the public debt limitation.

The intended function of the debt limit is but poorly served, I think, when a specific limit fits so closely that the Treasury is forced to obtain additional funds -- at higher cost -- through the market borrowings of Federal agencies not subject to the statutory debt limit. Indeed the Government was forced to take such steps a few years ago when the debt ceiling imposed too tight a limit on Government fiscal operations. In addition the Treasury in its own borrowings has at times had to defer borrowings when it would have been advantageous, or to engage in piecemeal borrowings because of the limitations of too little margin under the debt ceiling.

In conclusion, I believe that a temporary increase in the debt limit to $298 billion is essential to the orderly and economical management of the Government's finances, and I earnestly recommend its prompt approval by this Committee.

Table I

FORECAST OF PUBLIC DEBT OUTSTANDING, FISCAL YEAR 1962, BASED ON CONSTANT OPERATING CASH BALANCE OF $3.5 BILLION (excluding free gold)

(Based on assumed Budget deficit of $3.7 billion)*

(In billions)

	Operating Balance Federal Reserve Banks and Depositaries (excluding free gold)	Public Debt subject to limitation	Allowance to provide flexibility in financing and for contingencies	Total public debt limitation required **
une 30, 1961 ---	$3.5	$286.4***	$3.0	$289.4
uly 15, 1961 ---	3.5	288.6	3.0	291.6
uly 31 ----------	3.5	289.6	3.0	292.6
ugust 15 -------	3.5	289.9	3.0	292.9
ugust 31 -------	3.5	290.1	3.0	290.1
eptember 15 ----	3.5	291.9	3.0	294.9
eptember 30 ----	3.5	288.2	3.0	291.2
ctober 15 ------	3.5	290.7	3.0	293.7
ctober 31 ------	3.5	292.2	3.0	295.2
ovember 15 -----	3.5	293.0	3.0	296.0
ovember 30 -----	3.5	292.8	3.0	295.8
ecember 15 -----	3.5	294.9	3.0	297.9
ecember 31 -----	3.5	292.4	3.0	295.4
anuary 15, 1962	3.5	294.9	3.0	297.9
anuary 31 ------	3.5	294.0	3.0	297.0
ebruary 15 -----	3.5	294.1	3.0	297.1
ebruary 28 -----	3.5	293.2	3.0	296.2
arch 15 --------	3.5	294.7	3.0	297.7
arch 31 --------	3.5	291.2	3.0	294.2
pril 15 --------	3.5	293.4	3.0	296.4
pril 30 --------	3.5	292.7	3.0	295.7
ay 15 ----------	3.5	291.9	3.0	294.9
ay 31 ----------	3.5	292.3	3.0	295.3
une 15 ---------	3.5	293.6	3.0	296.6
une 30 ---------	3.5	290.1	3.0	293.1

* Incorporates estimated Budget revenues of $81.4 billion and estimated expenditures of $85.1 billion.

** From July 1, 1960, to June 30, 1961, the statutory debt limit is $293 billion. Thereafter it will revert to $285 billion.

*** Because the actual operating balance on June 30, 1961 is expected to be considerably larger than $3.5 billion, the public debt subject to limitation will be about $289 billion on that date.

Table II

ACTUAL CASH BALANCE AND PUBLIC DEBT OUTSTANDING
JULY 1960 - MAY 1961
(In billions)

	Operating Balance Federal Reserve Banks and Depositaries (excluding free gold)	Public Debt subject to limitation
July 15, 1960	$7.4	$288.6
July 31	6.2	288.1
August 15	4.8	287.5
August 31	5.1	288.4
September 15	3.0	288.3
September 30	7.5	288.2
October 15	3.6	287.2
October 31	5.9	290.2
November 15	4.1	289.9
November 30	5.0	290.2
December 15	2.7	290.0
December 31	5.7	290.0
January 15, 1961	3.4	289.9
January 31	3.8	289.8
February 15	3.7	290.5
February 28	5.3	290.3
March 15	2.8	290.0
March 31	4.0	287.3
April 15	1.7	288.4
April 30	2.9	287.8
May 15	4.0	288.8
May 31	4.4	290.0

NOTE: From July 1, 1960 to June 30, 1961, the statutory debt limit is $293 billion. Thereafter it will revert to $285 billion.

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STATEMENT OF CONGRESSMAN CHARLES E. BENNETT, OF FLORIDA

We in America have the most wonderful country on earth. The programs of our country include things of benefit to our generation and those to come, not only here, but throughout the world. They are expensive. Our large national debt imperils our national strength and ability to remain secure and to make progress. I can think of no more appropriate way for Americans to show the love they have for their country and the desire they have for its security than to contribute something toward paying off the national debt.

I am glad to have this opportunity.

COPY

THE SECRETARY OF THE TREASURY
WASHINGTON

June 29, 1961

Dear Mr. Bennett:

I am delighted to receive your personal check for $1,000 as the first contribution under H. R. 311, a bill introduced by you to authorize the United States Government to accept gifts to be used to reduce the public debt.

As provided by this legislation -- for which you are so largely responsible -- your generous gift to the Treasury of the United States will be utilized "for the payment on maturity or the redemption or purchase before maturity of any obligation of the United States included in the public debt of the United States."

As the President's chief financial advisor, the burden of preserving this Nation's proud tradition of fiscal responsibility falls with special weight upon me. I am, therefore, deeply grateful for the efforts made by you -- both as an elected representative of our people and as an individual American -- that will help to preserve the fiscal integrity of our country. As the first contributor under this law, as well as its sponsor, you have certainly pointed the way.

Sincerely yours,

/s/ Douglas Dillon
Douglas Dillon

Honorable Charles E. Bennett
House of Representatives
Washington 25, D. C.

June 30, 1961

FOR RELEASE A.M. NEWSPAPERS, Saturday, July 1, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 April 6, 1961, and the other series to be dated July 6, 1961, which were offered on June 26, were opened at the Federal Reserve Banks on June 30. 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. details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing October 5, 1961		:	182-day Treasury bills maturing January 4, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.429 a/	2.259%	:	98.764	2.445%
Low	99.407	2.346%	:	98.733	2.506%
Average	99.417	2.305% 1/	:	98.743	2.486% 1/

a/ Excepting one tender of $7,000
19 percent of the amount of 91-day bills bid for at the low price was accepted
64 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	$ 26,424,000	$ 12,804,000	:	$ 3,319,000	$ 3,319,000
New York	1,371,872,000	782,572,000	:	814,175,000	428,175,000
Philadelphia	20,144,000	14,144,000	:	10,567,000	5,567,000
Cleveland	17,365,000	17,365,000	:	9,551,000	9,551,000
Richmond	5,351,000	5,351,000	:	1,704,000	1,704,000
Atlanta	15,404,000	15,404,000	:	1,441,000	1,441,000
Chicago	194,152,000	155,102,000	:	57,378,000	27,378,000
St. Louis	20,024,000	16,024,000	:	3,346,000	2,846,000
Minneapolis	13,826,000	13,826,000	:	4,405,000	3,405,000
Kansas City	18,262,000	17,212,000	:	5,285,000	5,084,000
Dallas	7,365,000	7,365,000	:	2,437,000	2,437,000
San Francisco	52,018,000	43,018,000	:	9,142,000	9,142,000
TOTALS	$1,762,207,000	$1,100,187,000 b/		$922,750,000	$500,049,000 c/

b/ Includes $149,477,000 noncompetitive tenders accepted at the average price of 99.417
c/ Includes $30,592,000 noncompetitive tenders accepted at the average price of 98.743
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.35%, for the 91-day bills, and 2.55%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 30, 1961

OR RELEASE A.M. NEWSPAPERS, Saturday, July 1, 1961.

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Cleveland	17,365,000	17,365,000	:	9,551,000	9,551,000
Richmond	5,351,000	5,351,000	:	1,704,000	1,704,000
Atlanta	15,404,000	15,404,000	:	1,441,000	1,441,000
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TOTALS	$1,762,207,000	$1,100,187,000 b/		$922,750,000	$500,049,000 c/

Includes $149,477,000 noncompetitive tenders accepted at the average price of 99.417

Includes $30,592,000 noncompetitive tenders accepted at the average price of 98.743

On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.35%, for the 91-day bills, and 2.55%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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 $400,000 (9) or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 17, 1961 (10), in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 15, 1961 (11). Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE,
~~RELEASE A.M. NEWSPAPERS,~~
Wednesday, July 5, 1961 .

(1)

TREASURY ~~TO REFUND $1.5 BILLION OF~~ INCREASES ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $2,000,000,000 (2), or thereabouts, of 365 (3) -day Treasury bills, for cash and in exchange for Treasury bills maturing July 15, 1961 (4), in the amount of $ 1,500,509,000 (5), to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated July 15, 1961 (6), and will mature July 15, 1962 (7), 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 Daylight Saving ~~Standard~~ time, Tuesday, July 11, 1961 (8). 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 for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the

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TREASURY DEPARTMENT 327

WASHINGTON, D.C.

July 5, 1961

FOR IMMEDIATE RELEASE

TREASURY INCREASES ONE-YEAR BILLS

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 July 15, 1961, in the amount of $1,500,509,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated July 15, 1961, and will mature July 15, 1962, 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 Daylight Saving time, Tuesday, July 11, 1961. 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 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 $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 ma or completed at the Federal Reserve Bank on July 17, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 15, 1961. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences betwee the par value of maturing bills accepted in exchange and the issue pri 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 Federa Reserve Bank or Branch.

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decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated April 13, 1961, (92 days remaining until maturity date on October 13, 1961) 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 13, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 13, 1961. 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

FOR IMMEDIATE RELEASE
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

July 5, 1961

TREASURY'S WEEKLY BILL OFFERING

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 July 13, 1961 , in the amount of $ 1,600,927,000 , as follows:

92 -day bills (to maturity date) to be issued July 13, 1961 , in the amount of $ 1,100,000,000 , or thereabouts, representing an additional amount of bills dated April 13, 1961 , and to mature October 13, 1961 , originally issued in the amount of $ 600,479,000 / (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 500,000,000 , or thereabouts, to be dated July 13, 1961 , and to mature January 11, 1962 .

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, July 10, 1961 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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TREASURY DEPARTMENT

WASHINGTON, D.C.
July 5, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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In a recent statement before the Joint Economic Committee, the Council of Economic Advisers stated: "The twin keys to an accelerated growth of productivity and output are two forms of investment: investment in education. . . . . and investment in the expansion and modernization of the Nation's stock of business plant and equipment."

One key is our tax credit prog

We have offered the Congress both keys. The other key is embodied in the program of Aid to Education. I am confident that the Congress will use both keys to unlock the growth potential of our country and enable our private enterprise system to meet the challenge of the Sixties.

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Since 1955-57, the Nation's increase in its stock of plant and equipment has slowed down and the age of this same plant and equipment has increased. Surely these developments must be reversed if we are to grow at a satisfactory rate and if we are to remain competitive with the newly rebuilt plants of Western Europe and Japan. We are attempting to reverse this trend with our tax credit proposal encouraging ~~xx~~ American industry to modernize.

Improving our plant and equipment is just one side of the coin. The best and the most modern plant is of little use unless we have the human resources to run it. Several studies have shown that since 1929, about 25 percent of our real growth rate in this country can be traced directly to the increased educational level of our labor force. To manage and to operate the industry of the Sixties, we unquestionably need a highly trained force of management, labor, and professional skills. ~~This obvious requirement is the major thrust behind the President's proposals for Aid to Education.~~

attempting to do in our proposal to give back to business $1.7 billion of our national revenue to encourage the modernization of this Nation's plant and equipment.

We believe that one of the principal reasons for the slowdown in the rate of growth is a reduction in the rate at which the stock of capital has been renewed and modernized. A few figures will illustrate what has been happening.

In 1948, 12.5 percent of our ~~national income~~ gross national product was devoted to investment in fixed capital (plant and equipment). This ratio has declined more or less steadily to 9.6 percent of our gross national product in 1960. By isolating the equipment figures, the decline is even more obvious, falling from 8.3 percent in 1948 to 5.6 percent in 1960.

When we look at the average age of equipment in this country, we find that it stood at 10.6 years in 1945, dropped to 8.5 years in the 1952-1955 period, but has crept back up to 9.0 years today.

liberalized old-age benefit legislation and a more comprehensive and effective system of Unemployment Compensation. We have attacked the problem of structural unemployment in the Depressed Areas Legislation and the Congress is now considering legislation which we have proposed to help re-train and re-locate the "disemployed" worker.

Aside from the last two programs , there is nothing new or dramatic about any of these proposals. They are simply attempts to bring existing legislation up to date. In my opinion, our real chores lie ahead in the remaining 60 days of ~~the~~ this session of the Congress. Two programs which are fundamental to an attack on our problem of growth are still being considered. The first is the tax bill aimed at stimulating investment in new plant and equipment and the second is the Aid-to-Education measure.

No one is foolish enough to believe that the Federal Government can cure our economic ills. We cannot. But we can provide a marginal stimulus that will often make the crucial difference. This is exactly what we are budgeted for expenditures. An $11 billion Federal surplus in fiscal year 1962 is the potential of our economy. Actual results, according to our latest figures, show a probable deficit of $3.7 to $4.4 billion.

We will not achieve our full potential this year or next, but in this first six months of a new Administration we are laying the groundwork. We are trying to take advantage of the priceless time element of the first phases of recovery to initiate actions that can help the economy shift to a faster rate of growth which will reduce the tendency toward recession and pull down a totally unacceptable rate of unemployment.

To date we have made certain headway. We have passed a Highway Financing Act that will enable the States to move ahead with their building programs at a rate above $3 billion a year for this decade. We have completed action on a Housing Bill that is aimed at a segment of the American people that have not had the resources to enter the housing market -- specifically, low income families and the elderly. We have passed

5.1 percent at its peak in May 1960.

The trend is ominous and must be reversed if our free enterprise society is to meet the economic challenge of the Sixties. It is apparent, as the President has often noted, that our basic challenge is to provide 13,500,000 new jobs over the span of this decade. The ultimate test of any society is to provide the opportunity to earn a living. I cannot believe that our society is an exception. Obviously, we will not measure up to this challenge by sitting back watching recessions come at more frequent intervals and leaving behind them an ever larger group of unemployed.

Figures appear consistent with 4% unemployment rate judging from report of Joint Economic Committee on the 1961 Economic Report.

The response to this challenge just as obviously lies in our national growth rate. If we in this Nation closed the gap between what we can do and what we are doing, our unemployment levels would drop to 4 percent or below, corporate profits could jump from $44 billion in 1960 to about $58 billion in 1961, and Federal Government revenues would rise to about $92 billion in fiscal 1962 -- or $11 billion more than currently

With sufficient liquidity, no bank failures, adequate plant and labor supply, a diminishing inflationary threat, and a national debt that has shrunk from 117 percent of our national income in 1946 to 58 percent in 1960, I believe that the most crucial problem remaining to face us this year and next is the problem of sustaining this present recovery and checking our postwar tendency toward recession.

The history of the last three recessions makes for sober reading and reflection. This history draws a picture of a shortening period of business expansion leaving an ever larger residue of unemployed at the peak of the cycle. The 1953-54 downturn was preceded by a period of expansion that ran for 45 months and at its peak left only 2.7 percent of the working force unemployed. The 1957-58 downturn was preceded by an expansion that ran for 35 months but that left 4.2 percent of our labor force unemployed at its peak in July 1957. The 1960 downturn followed an expansion that ran only 25 months and left an unemployment figure of

Of course We can blunt ~~the~~ effective of this international competition +

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Of ~~course,~~ We can pull back our troops in Germany, Taiwan, and Korea, and leave these areas open to communist pressures. We can give up our attempts to help the under-developed nations of the world struggle up to a level of economic decency. We can forbid all investment abroad; and we could even give up our passion for foreign travel. If we did all these things we could then raise our tariffs high enough to stop imports, not worry about exports, and then let the forces behind "cost-push" inflation raise prices higher and higher behind a protective tariff wall. I know of no serious national leader who suggests such a course. For this reason, I believe that the forces of ~~xxxx~~ international competition will have an increasingly restraining influence on price levels of most raw materials and manufactured goods in this country. Unfortunately, this international competition has little or no effect on services and for that reason I would expect these prices to rise fastest in the next decade.

American industrial capacity and labor supply seems more than adequate to meet any foreseeable demand. Nor do I expect that the Federal Reserve System will go insane and pump vast new amounts of credit into our financial channels.

Secondly, I see a greatly diminished chance for the "cost-push" type of inflation. Our attempts to rebuild Western Europe and Japan to assist us in our fight ~~against~~ against communism have proved amazingly successful. We no longer have a clear position of dominance in world trade. We no longer set the world price for most basic raw materials. Instead, we are competing fiercely with the industrial nations that have been rebuilt with our aid. This competition is a most effective lid on industries using their power in the market to raise prices or for labor unions trying to raise wages past the point of their increase in productivity. I have never heard it mentioned in Congressional debates, but foreign aid, especially to Europe and Japan, has developed as a powerful deterrent to inflation and a warm ally of the American consumer.

There are some indications that the problems of inflation may be diminishing. From 1946 to 1950 the country was threatened with the old classical type of inflation in which too much money was chasing too few goods and services. We came out of the war with enormous liquid resources and a strong pent-up demand for cars, houses, and capital goods. In this situation we could have kept the lid on prices by retaining controls and keeping up taxes until the economy had an opportunity to shift over to peacetime production. We chose to drop controls and cut taxes, and it was the amazing response of American labor and industry in meeting demand that kept this first round of inflation within reason.

In the mid-Fifties we faced another type of inflation -- a newer variety -- now referred to as "cost-push", in which industry used its market power to raise prices and profits and labor moved right in behind with sizable wage increases.

I see little or no chance for a repetition of the classical (too much money -- too few goods) type of inflation, barring a war.

The postwar years presented a new set of economic challenges and the Nation faced up to them with imagination and vigor. In many areas we were notably successful. Our conversion from a wartime to a peacetime economy was accomplished with relative smoothness and rapidity. The Federal Reserve System demonstrated that it could keep the economy supplied with "enough but not too much credit". (There is great controversy in this area but agreement that the System's performance had vastly improved.) Bank failures were unheard of. The countercyclical effects of relatively large Federal budgets, unemployment compensation, and old age benefits choked off any downturns that could be classed as depressions.

The two areas of failure were inflation (the price level has risen about 53 percent since 1946), and a tendency toward recession which slowed our growth rate to unacceptable levels. (Since 1946 we have been in recession for a total of 14 quarterly periods or about 23 percent of the time.)

The high hopes for the new Federal Reserve System lasted through the Twenties but began to crack in 1929 and smashed in the early Thirties when the System either could not or would not prevent wholsesale bank failures.

In the Thirties the problems of money and credit were met quickly and adequately with the Glass-Steagall Act, setting up the Federal Deposit Insurance Corporation and ending once and for all the probability of losses to depositors. But in those years the Nation decided (in a round-about way that this was not enough. We decided that some forms of economic stabilizers should be built into the economy to counterbalance the terrible downswings of depressions. Unemployment compensation and old-age benefits entered the national scene in response to this conclusion and to the apparent social need x

~~You men are too young to remember those dreadful days, but I can well remember thoughtful men of business wondering aloud whether our free enterprise system could sustain another such shock.~~

After the National Bank Act of the Civil War years, we developed a sound currency but our credit system was still inflexible & unresponsive &

the push to "New Frontiers." About 1850 the country became enmeshed inextricably in the problems (both moral and economic) of slavery -- a problem that yielded only to a war and the brutal economic suppression of the South. From 1870 to ~~1911~~ the first World War the Nation filled out its borders, settled the frontier, developed its industrial might, and pulled level with the great powers of Western Europe.

Although we had reached a level of economic maturity in industry and agriculture, the Nation had never succeeded in establishing a reliable system of credit and currency. Time after time the Nation's forward thrust in its economic development had been blunted or reversed by "money panics" -- by breakdowns or paralysis in our financial institutions. To cure these defects the Congress established the Aldrich Commission which brought in its report in 1911 and resulted in the Federal Reserve Act of ~~1912~~ 1913 -- whose preamble states:

> An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Double space please

GREAT DECISION -- 1961

On June 27th, Mr. Henry J. Fowler, Under Secretary of the Treasury in a public statement said "There has been little recent discussion of one topic -- the national opportunity to act so as to sustain the recovery for a long period......" In this statement "Joe" Fowler was bringing to public attention the crucial but often ignored economic question facing the Nation in 1961 and 1962. "How can we sustain this business recovery? How can we check the postwar tendency toward recession? "

This is the latest in a long series of economic challenges which have faced the American people. George Washington faced the basic problem of establishing our credit and our national revenues. Jefferson and Madison ~~were wrestling~~ WRESTLED with the problems of opening up the Northwest Territory and parts of the Louisiana Purchase.

From 1825 to 1850 the Nation was preoccupied with its attempts to establish a reliable system of currency and credit (which were none too successful), developing the beginnings of an industrial and transportation system, and coping with the continuing problems involved in

TREASURY DEPARTMENT
Washington

CDT

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REMARKS BY JOSEPH W. BARR, ASSISTANT TO THE SECRETARY OF THE TREASURY, BEFORE THE INDIANAPOLIS BRANCH OF THE AMERICAN INSTITUTE OF BANKING, ON THURSDAY ~~EVENING~~, JULY 6 ~~th at~~ 1961, 6:30, P.M., CST. AT THE SEVERIN HOTEL, INDIANAPOLIS, INDIANA,

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TREASURY DEPARTMENT
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Although we had reached a level of economic maturity in industry and agriculture, the Nation had never succeeded in establishing a reliable system of credit and currency. After the National Bank Act of the Civil War years, we developed a sound currency, but our credit system was still inflexible and unresponsive. Time after time the Nation's forward thrust in its economic development had been blunted or reversed by "money panics" -- by breakdowns or paralysis in our financial institutions. To cure these defects the Congress established the Aldrich Commission which brought in its report in 1911 and resulted in the Federal Reserve Act of 1913 -- whose preamble states:

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The two areas of failure were inflation (the price level has risen about 53 percent since 1946), and a tendency toward recession which slowed our growth rate to unacceptable levels. (Since 1946 we have been in recession for a total of 14 quarterly periods or about 23 percent of the time.)

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Congressional debates, but foreign aid, especially to Europe and Japan, has developed as a powerful deterrent to inflation and a warm ally of the American consumer.

Of course we can blunt the effectiveness of this international competition. We can pull back our troops in Germany, Taiwan, and Korea and leave these areas open to communist pressures. We can give up our attempts to help the under-developed nations of the world struggle up to a level of economic decency. We can forbid all investment abroad; and we could even give up our passion for foreign travel. If we did all these things we could then raise our tariffs high enough to stop imports, not worry about exports, and then let the forces behind "cost-push" inflation raise prices higher and higher behind a protective tariff wall. I know of no serious national leader who suggests such a course. For this reason, I believe that the forces of international competition will have an increasingly restraining influence on price levels of most raw materials and manufactured goods in this country. Unfortunately, this international competition has little or no effect on services and for that reason I would expect these prices to rise fastest in the next decade.

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The history of the last three recessions makes for sober reading nd reflection. This history draws a picture of a shortening period f business expansion leaving an ever larger residue of unemployed at he peak of the cycle. The 1953-54 downturn was preceded by a period f expansion that ran for 45 months and at its peak left only 2.7 ercent of the working force unemployed. The 1957-58 downturn was receded by an expansion that ran for 35 months but that left .2 percent of our labor force unemployed at its peak in July 1957. he 1960 downturn followed an expansion that ran only 25 months and left an unemployment figure of 5.1 percent at its peak in May 1960.

The trend is ominous and must be reversed if our free enterprise society is to meet the economic challenge of the Sixties. It is apparent, as the President has often noted, that our basic challenge is to provide 13,500,000 new jobs over the span of this decade. The ultimate test of any society is to provide the opportunity to earn a living. I cannot believe that our society is an exception. Obviously, we will not measure up to this challenge by sitting back watching recessions come at more frequent intervals and leaving behind them an ever larger group of unemployed.

The response to this challenge just as obviously lies in our national growth rate. If we in this Nation closed the gap between what we can do and what we are doing, our unemployment levels would drop to 4 percent or below, corporate profits could jump from $44 billion in 1960 to about $58 billion in 1961, and Federal Government revenues would rise to about $92 billion in fiscal 1962 -- or

$11 billion more than currently budgeted for expenditures. An $11 billion Federal surplus in fiscal year 1962 is the potential of our economy. Actual results, according to our latest figures, show a probable deficit of $3.7 to $4.4 billion.

We will not achieve our full potential this year or next, but in this first six months of a new Administration we are laying the groundwork. We are trying to take advantage of the priceless time element of the first phases of recovery to initiate actions that can help the economy shift to a faster rate of growth which will reduce the tendency toward recession and pull down a totally unacceptable rate of unemployment.

To date we have made certain headway. We have passed a Highway Financing Act that will enable the States to move ahead with their building programs at a rate above $3 billion a year for this decade. We have completed action on a Housing Bill that is aimed at a segment of the American people that have not had the resources to enter the housing market -- specifically, low income families and the elderly. We have passed liberalized old-age benefit legislation and a more comprehensive and effective system of unemployment compensation. We have attacked the problem of structural unemployment in the Depressed Areas legislation and the Congress is now considering legislation which we have proposed to help re-train and re-locate the "disemployed" worker.

Aside from the last two programs, there is nothing new or dramatic about any of these proposals. They are simply attempts to bring existing legislation up-to-date. In my opinion, our real chores lie ahead in the remaining 60 days of this session of the Congress. Two programs which are fundamental to an attack on our problem of growth are still being considered. The first is the tax bill aimed at stimulating investment in new plant and equipment and the second is the Aid-to-Education measure.

No one is foolish enough to believe that the Federal Government can cure our economic ills. We cannot. But we can provide a marginal stimulus that will often make the crucial difference. This is exactly what we are attempting to do in our proposal to give back to business $1.7 billion of our national revenue to encourage the modernization of this Nation's plant and equipment.

We believe that one of the principal reasons for the slowdown in the rate of growth is a reduction in the rate at which the stock of capital has been renewed and modernized. A few figures will illustrate what has been happening.

In 1948, 12.5 percent of our gross national product was devoted to investment in fixed capital (plant and equipment). This ratio has declined more or less steadily to 9.6 percent of our gross national product in 1960. By isolating the equipment figures, the decline is even more obvious, falling from 8.3 percent in 1948 to 5.6 percent in 1960.

When we look at the average age of equipment in this country, we find that it stood at 10.6 years in 1945, dropped to 8.5 years in the 1952-1955 period, but has crept back up to 9.0 years today.

Since 1955-57, the Nation's increase in its stock of plant and equipment has slowed down and the age of this same plant and equipment has increased. Surely these developments must be reversed if we are to grow at a satisfactory rate and if we are to remain competitive with the newly rebuilt plants of Western Europe and Japan. We are attempting to reverse this trend with our tax credit proposal encouraging American industry to modernize.

Improving our plant and equipment is just one side of the coin. The best and the most modern plant is of little use unless we have the human resources to run it. Several studies have shown that since 1929, about 25 percent of our real growth rate in this country can be traced directly to the increased educational level of our labor force. To manage and to operate the industry of the Sixties, we unquestionably need a highly trained force of management, labor, and professional skills.

In a recent statement before the Joint Economic Committee, the Council of Economic Advisers stated: "The twin keys to an accelerated growth of productivity and output are two forms of investment: investment in education ..... and investment in the expansion and modernization of the Nation's stock of business plant and equipment." We have offered the Congress both keys. One key is our tax credit proposal; the other key is embodied in the program of Aid to Education. I am confident that the Congress will use both keys to unlock the growth potential of our country and enable our private enterprise system to meet the challenge of the Sixties.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 7, 1961

FOR IMMEDIATE RELEASE

In response to questions based upon recent newspaper articles concerning the investigation of complaints of alleged employment discrimination in the Bureau of Engraving and Printing, Robert A. Wallace, Treasury Department Employment Policy Officer, today stated:

"We have taken no final action on any case. We expect that it will take us several weeks to complete the investigation of the thirty-five discrimination complaints. After completion of our investigations, attempts will be made to work out satisfactory agreements between complainants and the Bureau."

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MODIFICATIONS IN U.S.-JAPAN TAX CONVENTION TO BE DISCUSSED

[DRAFT PRESS RELEASE]

Representatives of the Treasury Department and the State Department EXPECT TO will hold discussions (LATE THIS FALL) with representatives of the Government of Japan to consider modifications in the existing income tax convention between the United States and Japan. It is anticipated that among the subjects to be discussed will be the tax treatment of dividends, interest, and permanent establishments in one country of an enterprise of the other country.

Interested persons in the United States who desire to submit comments on the existing convention and suggestions for modification of the income tax treaty are invited to submit their views. Communications should be addressed to the Assistant Secretary of the Treasury, Mr. Stanley S. Surrey, Treasury Department, Washington 25, D. C. To receive adequate consideration, comments and suggestions should be submitted as promptly as possible but not later than October 1, 1961.

D-157

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 10, 1961

FOR IMMEDIATE RELEASE

MODIFICATIONS IN U.S.-JAPAN TAX CONVENTION
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D-157

July 10, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday July 11, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 April 13, 1961, and the other series to be dated July 13, 1961, which were offered on July 5, were opened at the Federal Reserve Banks on July 10. Tenders were invited for $1,100,000,000, or thereabouts, of 92-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:	92-day Treasury bills maturing October 13, 1961		182-day Treasury bills maturing January 11, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.413 a/	2.297%	98.736	2.500%
Low	99.403	2.336%	98.726	2.520%
Average	99.407	2.322% 1/	98.730	2.512% 1/

a/ Excepting one tender of $100,000
73 percent of the amount of 92-day bills bid for at the low price was accepted
72 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	$ 31,912,000	$ 15,612,000	$ 5,775,000	$ 5,775,000
New York	1,531,298,000	737,601,000	885,088,000	426,828,000
Philadelphia	32,869,000	14,729,000	10,921,000	1,838,000
Cleveland	36,733,000	26,633,000	14,239,000	5,029,000
Richmond	10,523,000	10,323,000	2,977,000	2,042,000
Atlanta	28,813,000	22,473,000	5,790,000	3,238,000
Chicago	218,462,000	125,732,000	75,927,000	25,933,000
St. Louis	26,886,000	21,886,000	4,195,000	3,695,000
Minneapolis	21,325,000	15,770,000	5,515,000	1,965,000
Kansas City	38,234,000	28,334,000	4,977,000	4,621,000
Dallas	20,284,000	16,284,000	6,062,000	3,034,000
San Francisco	89,011,000	64,851,000	25,955,000	16,180,000
TOTALS	$2,086,370,000	$1,100,228,000 b/	$1,047,421,000	$500,178,000 c/

b/ Includes $231,215,000 noncompetitive tenders accepted at the average price of 99.407
c/ Includes 43,229,000 noncompetitive tenders accepted at the average price of 98.730
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.37%, for the 92-day bills, and 2.58%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

D-158

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Richmond	10,523,000	10,323,000	2,977,000	2,042,000
Atlanta	28,813,000	22,473,000	5,790,000	3,238,000
Chicago	218,482,000	125,732,000	75,927,000	25,933,000
St. Louis	26,886,000	21,886,000	4,195,000	3,695,000
Minneapolis	21,325,000	15,770,000	5,515,000	1,965,000
Kansas City	38,234,000	28,334,000	4,977,000	4,621,000
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b/ Includes $231,215,000 noncompetitive tenders accepted at the average price of 99.407
c/ Includes 43,229,000 noncompetitive tenders accepted at the average price of 98.730
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.37%, for the 92-day bills, and 2.58%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT ?61

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON EDIBLE OLIVE OIL
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that edible olive oil, in containers weighing with immediate contents under 40 pounds, from Italy is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of this merchandise received from Italy during 1960 was approximately $3,980,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON EDIBLE OLIVE OIL
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that edible olive oil, in containers weighing with immediate contents under 40 pounds, from Italy is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of this merchandise received from Italy during 1960 was approximately $3,980,000.

TREASURY DEPARTMENT

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WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON EDIBLE OLIVE OIL
UNDER ANTIDUMPING ACT

The Treasury Department has determined that edible olive oil, in containers weighing with their contents under 40 pounds each, from Spain is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports received from Spain during 1960 was approximately $892,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON EDIBLE OLIVE OIL
UNDER ANTIDUMPING ACT

The Treasury Department has determined that edible olive oil, in containers weighing with their contents under 40 pounds each, from Spain is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports received from Spain during 1960 was approximately $892,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RAYON STAPLE FIBER UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that rayon staple fiber from Austria is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of rayon staple fiber received from Austria during 1960 was approximately $2,120,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RAYON STAPLE FIBER
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that rayon staple fiber from Austria is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of imports of rayon staple fiber received from Austria during 1960 was approximately $2,120,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RADIO TUBES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that radio tubes from Japan are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of the involved merchandise received from Japan during a representative 6-month period was approximately $919,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 11, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RADIO TUBES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that radio tubes from Japan are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the finding will be published in the Federal Register.

The dollar value of the involved merchandise received from Japan during a representative 6-month period was approximately $919,000.

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, July 12, 1961.

July 11, 1961

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $2,000,000,000 or thereabouts, of 365-day Treasury bills to be dated July 15, 1961, and to mature July 15, 1962, which were offered on July 5, were opened at the Federal Reserve Banks on July 11.

The details of this issue are as follows:

Total applied for - $4,170,645,000
Total accepted - 2,000,061,000 (includes $207,518,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 97.101	Equivalent rate of discount approx. 2.859%	per annum
Low	- 97.039	" " " " " 2.920%	" "
Average	- 97.051	" " " " " 2.908%	" "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 60,376,000	$ 15,960,000
New York	2,873,024,000	1,351,514,000
Philadelphia	74,042,000	19,946,000
Cleveland	149,588,000	52,572,000
Richmond	35,204,000	12,204,000
Atlanta	65,633,000	17,733,000
Chicago	550,334,000	402,078,000
St. Louis	65,382,000	15,322,000
Minneapolis	40,468,000	11,488,000
Kansas City	69,127,000	24,997,000
Dallas	32,891,000	14,651,000
San Francisco	154,576,000	61,596,000
TOTAL	$4,170,645,000	$2,000,061,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.02%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, July 12, 1961.

July 11, 1961

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

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Dallas	32,891,000	14,651,000
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TOTAL	$4,170,645,000	$2,000,061,000

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STATUTORY DEBT LIMITATION

AS OF June 30, 1961

Washington, July 12, 1961

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, 1960 (P.L. 86-564 86th Congress) provides that during the period beginning on July 1, 1960 and ending June 30, 1961, the above limitation ($285,000,000,000) shall be temporarily increased by $8,000,000,000.

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			$293,000,000,000
Outstanding-			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$36,723,190,000		
Certificates of indebtedness	13,337,993,000		
Treasury notes	56,257,146,000	$106,318,329,000	
Bonds-			
Treasury	80,829,778,750		
* Savings (current redemp. value)	47,514,265,369		
Depositary	116,819,500		
R.E.A. series	19,221,000		
Investment series	5,830,308,000	134,310,392,619	
Special Funds-			
Certificates of indebtedness	5,691,970,000		
Treasury notes	9,133,080,000		
Treasury bonds	30,217,837,000	45,042,887,000	
Total interest-bearing		285,671,608,619	
Matured, interest-ceased		343,686,368	
Bearing no interest:			
United States Savings Stamps	51,949,308		
Excess profits tax refund bonds	750,585		
Special notes of the United States:			
Internat'l Monetary Fund series	2,496,000,000		
~~xxxxx~~ Int.Develop.Ass'n.	57,652,200	2,606,352,093	
Total		288,621,647,080	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad.Bds.	239,694,000		
Matured, interest-ceased	521,450	240,215,450	
Grand total outstanding			288,861,862,530
Balance face amount of obligations issuable under above authority			4,138,137,470

Reconcilement with Statement of the Public Debt June 30, 1961
(Date)

(Daily Statement of the United States Treasury, June 30, 1961)
(Date)

Outstanding-	
Total gross public debt	288,970,938,610
Guaranteed obligations not owned by the Treasury	240,215,450
Total gross public debt and guaranteed obligations	289,211,154,060
Deduct - other outstanding public debt obligations not subject to debt limitation	349,291,530
	288,861,862,530

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STATUTORY DEBT LIMITATION

AS OF June 30, 1961

Washington, July 12, 1961

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, 1960 (P.L. 86-564 86th Congress) provides that during the period beginning on July 1, 1960 and ending June 30, 1961, the above limitation ($285,000,000,000) shall be temporarily increased by $8,000,000,000.

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Bonds-			
Treasury	80,829,778,750		
* Savings (current redemp. value)	47,514,265,369		
Depositary	116,819,500		
R.E.A. series	19,221,000		
Investment series	5,830,308,000	134,310,392,619	
Special Funds-			
Certificates of indebtedness	5,691,970,000		
Treasury notes	9,133,080,000		
Treasury bonds	30,217,837,000	45,042,887,000	
Total interest-bearing		285,671,608,619	
Matured, interest-ceased		343,686,368	
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Deduct - other outstanding public debt obligations not subject to debt limitation	349,291,530
	288,861,862,530

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1961

IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
TETRACYCLINE TABLETS AND CAPSULES

The Treasury Department has instructed customs field officers to withhold appraisement of tetracycline tablets and capsules from Italy, pending a determination as to whether this merchandise is being sold in the United States at less than fair value. Notice to this effect has been published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The complaint in this case was received on February 16, 1961. Available information indicates that the dollar value of imports of this merchandise from Italy received during 1960 was approximately $1,031,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1961

IMMEDIATE RELEASE

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The complaint in this case was received on February 16, 1961. Available information indicates that the dollar value of imports of this merchandise from Italy received during 1960 was approximately $1,031,000.

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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 20, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on October 19, 1961 ~~(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 20, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 20, 1961 ~~(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

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~XXXXXXXX~~ July 12, 1961

~~XXXXXXXXXXXXXXX(1)XXXXXXXXXXXXXXXXX~~

TREASURY'S WEEKLY BILL OFFERING

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 July 20, 1961 (3), in the amount of $1,500,513,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued July 20, 1961 (6), in the amount of $1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated April 20, 1961 (8), and to mature October 19, 1961 (9), originally issued in the amount of $500,394,000 (10) (including $100,104,000 issued June 14, 196[illegible]), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 500,000,000 (12), or thereabouts, to be dated July 20, 1961 (13), and to mature January 18, 1962 (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, July 17, 1961 (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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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 July 20, 1961, in the amount of $1,500,513,000, as follows:

91-day bills (to maturity date) to be issued July 20, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated April 20, 1961, and to mature October 19, 1961, originally issued in the amount of $500,394,000 (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182-day bills, for $500,000,000, or thereabouts, to be dated July 20, 1961, and to mature January 18, 1962.

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, July 17, 1961. 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 April 20, 1961, (91-days remaining until maturity date on October 19, 1961) 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 20, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 20, 1961. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

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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, 1961, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1961, to June 30 1961	Established Quota	Imports May 29, 1961, to June 30, 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	-
Australia	-	-	1,000	150
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	3,815,150

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

D-162

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, 1961, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1961, to June 30 1961	Established Quota	Imports May 29, 1961, to June 30, 1961
	(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	150
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	3,815,150

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 30, 1
Absolute Quotas				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from Aug. 1, 1960	1,709,000	Pound	56,96
Rye, rye flour, and rye meal.....	July 1, 1960-June 30, 1961			
	Canada	140,733,957	Pound	Quota Fille
	Other Countries	2,872,122	Pound	
Butter substitutes, including butter oil, containing 45% or more butterfat..................	Calendar Year	1,200,000	Pound	Quota Fille
Tung Oil.......................	Feb. 1, 1961-Oct. 31, 1961			
	Argentina	18,770,577	Pound	8,616,47
	Paraguay	2,230,313	Pound	Quota Fille
	Other Countries	711,188	Pound	

* Imports through July 10, 1961.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

D-163

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 30, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 30, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	245
Whole milk, fresh or sour........	Calendar Year	3,000,000	Gallon	43
Cattle, 700 lbs. or more each (other than dairy cows).........	April 1, 1961- June 30, 1961	120,000	Head	6,565
Cattle less than 200 lbs. each...	12 mos. from April 1, 1961	200,000	Head	27,326
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.........	Calendar Year	32,600,645	Pound	Quota Filled 1/
Tuna fish........................	Calendar Year	57,114,714	Pound	23,575,216
White or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	64,382,705
Other...........................	Sept. 15, 1960	36,000,000	Pound	8,608,220
Walnuts.........................	Calendar Year	5,000,000	Pound	Quota Filled
Stainless steel table flatware (table knives, table forks, table spoons).................	Nov. 1, 1960- Oct. 31, 1961	69,000,000	Pieces	Quota Filled 2/

1/ Imports for consumption at the quota rate are limited to 16,300,322 pounds during the first six months of the calendar year.

2/ Based on preliminary data; subject to adjustment.

(over)

TREASURY DEPARTMENT
Washington, D. C.

MEDIATE RELEASE
HURSDAY, JULY 13, 1961

D-163

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 June 30, 1961, inclusive, as follows:

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tainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1960-Oct. 31, 1961	69,000,000	Pieces	Quota Filled 2/

/ Imports for consumption at the quota rate are limited to 16,300,322 pounds during e first six months of the calendar year.

Based on preliminary data; subject to adjustment.

(over)

Commodity	Period and Quantity		Unit of Quantity	Imports as of June 30, 19[illegible]
Absolute Quotas				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from Aug. 1, 1960	1,709,000	Pound	56,960*
Rye, rye flour, and rye meal.....	July 1, 1960-June 30, 1961			
	Canada	140,733,957	Pound	Quota Filled
	Other Countries	2,872,122	Pound	-
Butter substitutes, including butter oil, containing 45% or more butterfat..................	Calendar Year	1,200,000	Pound	Quota Filled
Tung Oil........................	Feb. 1, 1961-Oct. 31, 1961			
	Argentina	18,770,577	Pound	8,616,472*
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	-

* Imports through July 10, 1961.

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, 1960, to July 10, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1960 to July 10, 1961
United Kingdom	4,323,457	1,755,754	1,441,152	1,416,533
Canada	239,690	239,690	-	-
France	227,420	42,782	75,807	42,782
British India	69,627	-	-	-
Netherlands	68,240	21,442	22,747	21,442
Switzerland	44,388	-	14,796	-
Belgium	38,559	3,068	12,853	3,068
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	50,646	25,443	9,937
Italy	21,263	-	7,088	-
	5,482,509	2,113,382	1,599,886	1,493,762

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

385

IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

D-164

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, 1960 - July 10, 1961

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-
Peru	247,952	50,569
British India	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	8,883,259
Brazil	618,723	618,721
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	681
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, 1960 - July 10, 1961

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	1,494,161
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

D-164

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, 1960 - July 10, 1961

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-
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China	1,370,791	-
Mexico	8,883,259	8,883,259
Brazil	618,723	618,721
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	681
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, 1960 - July 10, 1961

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	1,494,161
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, 1960, to July 10, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1960 to July 10, 1961
United Kingdom	4,323,457	1,755,754	1,441,152	1,416,533
Canada	239,690	239,690	-	-
France	227,420	42,782	75,807	42,782
British India	69,627	-	-	-
Netherlands	68,240	21,442	22,747	21,442
Switzerland	44,388	-	14,796	-
Belgium	38,559	3,068	12,853	3,068
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	50,646	25,443	9,937
Italy	21,263	-	7,088	-
	5,482,509	2,113,382	1,599,886	1,493,762

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, JULY 13, 1961

D-165

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to June 30, 1961, 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 30, 1961
Buttons.............	765,000	Gross	191,639
Cigars..............	180,000,000	Number	3,370,595
Coconut oil.........	403,200,000	Pound	56,273,409
Cordage.............	6,000,000	Pound	2,406,409
Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, JULY 13, 1961 D-165

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to June 30, 1961, 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 30, 1961
Buttons.............	765,000	Gross	191,639
Cigars..............	180,000,000	Number	3,370,595
Coconut oil.........	403,200,000	Pound	56,273,409
Cordage.............	6,000,000	Pound	2,406,409
Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JULY 13, 1961

D-166

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, 1961 - June 30, 1961

IMPORTS - April 1, 1961 - June 30, 1961

Country of Production	ITEM 391 Lead-bearing ores, flue dust, and mattes		ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead (Pounds)	Imports	Quarterly Quota Dutiable Lead (Pounds)	Imports	Quarterly Quota Dutiable Zinc (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	10,080,000	10,080,000	23,680,000	23,680,000	-		-	
Belgian Congo	-		-		-		5,440,000	5,438,847
Belgium and Luxemburg (total)	-		-		-		7,520,000	4,026,665
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	51,242,650	37,840,000	35,649,867
Italy	-		-		-		3,600,000	-
Mexico	-		36,880,000	36,880,000	70,480,000	70,480,000	6,320,000	2,188,826
Peru	16,160,000	16,160,000	12,880,000	12,878,756	35,120,000	35,120,000	3,760,000	3,760,000
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslovia	-		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
THURSDAY, JULY 13, 1961

D-166

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, 1961 - June 30, 1961

IMPORTS - April 1, 1961 - June 30, 1961

Country of Production	ITEM 391 Lead-bearing ores, flue dust, and mattes		ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead (Pounds)	Imports	Quarterly Quota Dutiable Lead (Pounds)	Imports	Quarterly Quota Dutiable Zinc (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	10,080,000	10,080,000	23,680,000	23,680,000	-		-	
Belgian Congo	-		-		-		5,440,000	5,438,847
Belgium and Luxemburg (total)	-		-		-		7,520,000	4,026,665
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	51,242,650	37,840,000	35,649,867
Italy	-		-		-		3,600,000	-
Mexico	-		36,880,000	36,880,000	70,480,000	70,480,000	6,320,000	2,188,826
Peru	16,160,000	16,160,000	12,880,000	12,878,756	35,120,000	35,120,000	3,760,000	3,760,000
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	15,760,000	-		-	
All other foreign countries (total)	6,560,000	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
THURSDAY, JULY 13, 1961

D-167

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 - July 1, 1961 - September 30, 1961

IMPORTS - July 1, 1961 - July 10, 1961

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	1,685,146	23,680,000	10,278	-		-	
Belgian Congo	-		-		-		5,440,000	
Belgium and Luxemburg (total)	-		-		-		7,520,000	
Bolivia	5,040,000	2,705,870	-		-		-	
Canada	13,440,000	9,460,929	15,920,000	1,246,403	66,480,000	1,487,087	37,840,000	3,122,667
Italy	-		-		-		3,600,000	440,920
Mexico	-		36,880,000	2,688,526	70,480,000	4,660,911	6,320,000	413,307
Peru	16,160,000	-	12,880,000	-	35,120,000	-	3,760,000	-
Un. So. Africa	14,880,000	9,748,668	-		-		-	
Yugoslavia	-		15,760,000	3,252,769	-		-	
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
THURSDAY, JULY 13, 1961

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D-167

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 - July 1, 1961 - September 30, 1961

IMPORTS - July 1, 1961 - July 10, 1961

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	1,685,146	23,680,000	10,278	-		-	
Belgian Congo	-		-		-		5,440,000	
Belgium and Luxemburg (total)	-		-		-		7,520,000	
Bolivia	5,040,000	2,705,870	-		-		-	
Canada	13,440,000	9,460,929	15,920,000	1,246,403	66,480,000	1,487,087	37,840,000	3,122,667
Italy	-		-		-		3,600,000	440,920
Mexico	-		36,880,000	2,688,526	70,480,000	4,660,911	6,320,000	413,307
Peru	16,160,000	-	12,880,000	-	35,120,000	-	3,760,000	-
Un. So. Africa	14,880,000	9,748,668	-		-		-	
Yugoslovia	-		15,760,000	3,252,769	-		-	
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

from Monday through Wednesday of next week, July 17-19.

The auction of $3-1/2 billion tax anticipation bills will take place on Thursday, July 20, with payment to be made on Wednesday, July 26. QUALIFIED ~~Treasury~~ depositaries may make payment for the ~~tax anticipation~~ bills by credit in the Treasury's tax and loan accounts.

Further details of these offerings are summarized in the accompanying ~~press~~ statements. ~~and offering circular.~~

Draft #3--7/12/61

394

Treasury Announces $16 Billion Borrowing Operations

The Treasury announced today that it will refund in one operation four maturing Treasury obligations due August 1 through October 1. This refunding, totaling $12-1/2 billion, will be followed immediately by the borrowing of $3-1/2 billion in cash through issuance of a tax anticipation bill due next March.

The maturing issues include approximately $10 billion of certificates and notes due August 1, $2-1/4 billion of bonds maturing September 15, and $1/3 billion of notes maturing October 1.

Holders of all maturing issues will be given a choice of three securities: a 3-1/4% note of 15-1/2 month maturity; a 3-3/4% note of 3 year maturity; and a 3-7/8% Treasury bond maturing in 6-3/4 years, which is already outstanding in the amount of $1.4 billion. The exchanges will be made on a par for par basis, except that the issue price of the 3-7/8% bonds will be 99-~~1/2~~ 3/8, to provide an investment yield of 3.9~~[illegible]~~8% to maturity. Subscriptions for the $12-1/2 billion exchange offer will be received

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1961

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES $16 BILLION BORROWING OPERATIONS

The Treasury announced today that it will refund in one operation four maturing Treasury obligations due August 1 through October 1. This refunding, totaling $12-1/2 billion, will be followed immediately by the borrowing of $3-1/2 billion in cash through issuance of a tax anticipation bill due next March.

The maturing issues include approximately $10 billion of certificates and notes due August 1, $2-1/4 billion of bonds maturing September 15, and $1/3 billion of notes maturing October 1.

Holders of all maturing issues will be given a choice of three securities: a 3-1/4% note of 15-1/2 month maturity; a 3-3/4% note of 3 year maturity; and a 3-7/8% Treasury bond maturing in 6-3/4 years, which is already outstanding in the amount of $1.4 billion. The exchanges will be made on a par for par basis, except that the issue price of the 3-7/8% bonds will be 99-3/8, to provide an investment yield of 3.98% to maturity. Subscriptions for the $12-1/2 billion exchange offer will be received from Monday through Wednesday of next week, July 17-19.

The auction of $3-1/2 billion tax anticipation bills will take place on Thursday, July 20, with payment to be made on Wednesday, July 26. Qualified depositaries may make payment for the bills by credit in the Treasury's tax and loan accounts.

Further details of these offerings are summarized in the accompanying statements.

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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.

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 ~~Standard~~ time, Thursday, July 20, 1961.

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 26, 1961, 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.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

~~XXXXXXXXXXXXXXXXXXXXX~~

July 13, 1961

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TREASURY TO RAISE $3-1/2 BILLION CASH IN TAX BILLS

The Treasury Department, by this public notice, invites tenders for $ 3,500,000,000 , or thereabouts, of 240 -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 26, 1961 , and they will mature March 23, 1962 . They will be accepted at face value in payment of income and profits taxes due on March 15, 1962 , 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, 1962 , 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, 1962 , 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, 1962 , 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 ~~Standard~~ time, Thursday, July 20, 1961 . 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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1961

FOR IMMEDIATE RELEASE

TREASURY TO RAISE $3-1/2 BILLION CASH IN TAX BILLS

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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, Thursday, July 20, 1961. 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

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Estimated Ownership of August, September and October 1961 Maturities
as of June 30, 1961

(In millions of dollars)

	August 3-1/8% Certificate	August 4% Note	Sept. 2-3/4% Bond	Oct. 1-1/2% Note	Total
Commercial banks	$1,120	$ 815	$ 965	$ 95	$ 2,995
Mutual savings banks	33	33	50	*	116
Insurance companies:					
Life	18	5	13	3	39
Fire casualty and marine	35	48	92	13	188
Total, insurance companies	53	53	105	16	227
Corporate pension funds	20	20	30	*	70
Corporations	1,125	230	475	175	2,005
Savings and loan associations	20	30	35	*	85
All other private investors	580	894	464	41	1,979
Total privately held	2,951	2,075	2,124	327	7,477
Federal Reserve banks and Government Investment Accounts	4,878	61	115	5	5,059
Total outstanding	7,829	2,136	2,239	332	12,536

Office of the Secretary of the Treasury — July 13, 1961

* Less than $500,000.

1-1/2% Treasury note exchanged for	Credits per $1,000		Charges per $1,000	Difference to be paid to subscriber
	Accrued interest on 1-1/2% note to 9/1/61	Discount on 3-7/8% Bond	Accrued interest to 9/1/61	
3-1/4% note 11/15/62	$6.27049	-	$2.73777	$3.53272
3-3/4% note 8/15/64	6.27049	-	3.18261	3.08788
3-7/8% Bond of 1968	6.27049	$6.25	11.47758	1.04291

An announcement concerning the issuance of $3.5 billion of 240-day Treasury tax anticipation bills is also being released at this time.

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Exchanges of 2-3/4% Treasury Bonds

The maturing 2-3/4% Treasury Bonds due September 15, 1961, may be exchanged for a like face amount of the new 3-1/4% Treasury notes due November 15, 1962, or the 3-3/4% Treasury notes due August 15, 1964, with interest adjustments as of August 1, 1961. Exchanges of the maturing 2-3/4% Treasury Bonds due September 15, 1961, also may be made for a like face amount of the additional 3-7/8% Treasury Bonds due May 15, 1968, which will be issued at 99.375, with interest adjustments as of August 1, 1961.

Coupons dated September 15, 1961, must be attached to the 2-3/4% Treasury Bonds of 1961 in coupon form when surrendered. Adjustments with the holders who exchange their 2-3/4% Bonds will be made as follows:

	Credits per $1,000		Charges per $1,000	
2-3/4% Bonds exchanged for	Accrued interest on 2-3/4% Bond to 8/1/61	Discount on 3-7/8% Bond	Accrued interest to 8/1/61 on 3-7/8% Bond	Amount to be paid to subscriber
3-1/4% note 11/15/62	$10.38723	-	-	$10.38723
3-3/4% note 8/15/64	10.38723	-	-	10.38723
3-7/8% Bonds of 1968	10.38723	$6.25	$8.21332	8.42391

Exchanges of 1-1/2% Treasury Notes

Holders of the 1-1/2% Treasury notes, Series EO-1961, maturing October 1, 1961, may exchange them for a like face amount of the new 3-1/4% Treasury notes maturing November 15, 1962, the 3-3/4% Treasury notes maturing August 15, 1964, or additional 3-7/8% Treasury Bonds due May 15, 1968, which will be offered at 99.375. Exchanges of the 1-1/2% Treasury notes Series EO-1961, will be made with interest adjustments as of September 1, 1961.

Coupons dated October 1, 1961, must be attached to the 1-1/2% Treasury notes when surrendered. Adjustments with the holders who exchange their 1-1/2% Treasury notes will be made as follows:

and placed in the mail before midnight July 19, will be considered as timely. The securities will be delivered August 1, 1961, and will be made available in registered form, as well as bearer form.

Tax Anticipation Bills

In addition to the exchange privileges open to the holders of the maturing Treasury securities, the Treasury will also receive tenders on Thursday, July 20, 1961, for approximately $3.5 billion of 240-day tax anticipation Treasury bills to be dated July 26, 1961, and to mature March 23, 1962. Qualified depositaries may make payment for the bills by credit in their Treasury tax and loan accounts.

Interest Payment Dates

Interest on the new 3-1/4% 15-1/2-month Treasury note will be paid on November 15, 1961, and semiannually on May 15 and November 15, 1962. Interest on the 3-3/4% 3-year Treasury note will be payable semiannually on February 15 and August 15. Interest on the 3-7/8% Bonds of 1968 is payable semiannually May 15 and November 15.

Exchanges of 3-1/8% Certificates and 4% Treasury Notes

Exchanges of the 3-1/8% certificates of indebtedness and 4% Treasury notes maturing August 1, 1961, may be made for a like face amount of either the 3-1/4% Treasury notes maturing November 15, 1962, or the 3-3/4% Treasury notes maturing August 15, 1964. Coupons dated August 1, 1961, on the maturing 3-1/8% certificates and 4% Treasury notes exchanged for the new Treasury notes should be detached by holders and cashed when due.

Exchanges of the securities maturing August 1, 1961, for additional amounts of the 3-7/8% Treasury Bonds maturing May 15, 1968, will be made with interest adjustments as of August 1, 1961. Coupons dated August 1, 1961, on the maturing certificates and notes exchanged, must be attached to the certificates and notes when surrendered. Adjustments will be made with the subscribers to the 3-7/8% Treasury Bonds of 1968, as follows:

Maturing issue exchanged for 3-7/8% Bond	Credits per $1,000		Charges per $1,000	
	Amount due on maturing issue	Discount on 3-7/8% Bond	Accrued interest to 8/1/61 on 3-7/8% Bond	Difference to be paid to subscriber
3-1/8% Certificate	$15.625	$6.25	$8.21332	$13.66168
4% Note	20.00	6.25	8.21332	18.03668

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1961

FOR IMMEDIATE RELEASE

TREASURY TO REFUND $12.5 BILLION OF SECURITIES MATURING AUGUST 1 TO OCTOBER 1, AND TO RAISE $3.5 BILLION IN CASH

The Treasury is offering holders of Treasury securities maturing from August 1, 1961, through October 1, 1961, aggregating $12,536 million, the right to exchange them for any of the following securities:

3-1/4% 15-1/2-month Treasury notes to be dated August 1, 1961, and to mature November 15, 1962, at par; or

3-3/4% 3-year Treasury notes to be dated August 1, 1961, and to mature August 15, 1964, at par; or

3-7/8% Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968, of which $1,390 million are outstanding, at 99.375.

The additional amounts of 3-7/8% Treasury Bonds maturing May 15, 1968, included in this exchange offering, will be issued at a price of 99.375, to yield 3.98% to maturity.

Cash subscriptions for the securities listed above will not be received.

The maturing issues eligible for exchange are as follows:

$7,829 million of 3-1/8% Treasury certificates of indebtedness of Series C-1961, dated August 15, 1960, maturing August 1, 1961; and

$2,136 million of 4% Treasury notes of Series A- 1961, dated August 1, 1957, maturing August 1, 1961; and

$2,239 million of 2-3/4% Treasury Bonds of 1961, dated November 9, 1953, and maturing September 15, 1961; and

$332 million of 1-1/2% Treasury notes of Series EO-1961, dated October 1, 1956, due October 1, 1961.

The subscription books will be open only on July 17 through July 19 for the receipt of subscriptions. Subscriptions for any issue addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States,

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1961

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3-1/4% 15-1/2-month Treasury notes to be dated August 1, 1961, and to mature November 15, 1962, at par; or

3-3/4% 3-year Treasury notes to be dated August 1, 1961, and to mature August 15, 1964, at par; or

3-7/8% Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968, of which \$1,390 million are outstanding, at 99.375.

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\$332 million of 1-1/2% Treasury notes of Series EO-1961, dated October 1, 1956, due October 1, 1961.

The subscription books will be open only on July 17 through July 19 for the receipt of subscriptions. Subscriptions for any 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 July 19, will be considered as timely. The securities will be delivered August 1, 1961, and will be made available in registered form, as well as bearer form.

Tax Anticipation Bills

In addition to the exchange privileges open to the holders of the maturing Treasury securities, the Treasury will also receive tenders on Thursday, July 20, 1961, for approximately $3.5 billion of 240-day tax anticipation Treasury bills to be dated July 26, 1961, and to mature March 23, 1962. Qualified depositaries may make payment for the bills by credit in their Treasury tax and loan accounts.

Interest Payment Dates

Interest on the new 3-1/4% 15-1/2-month Treasury note will be paid on November 15, 1961, and semiannually on May 15 and November 15, 1962. Interest on the 3-3/4% 3-year Treasury note will be payable semiannually on February 15 and August 15. Interest on the 3-7/8% Bonds of 1968 is payable semiannually May 15 and November 15.

Exchanges of 3-1/8% Certificates and 4% Treasury Notes

Exchanges of the 3-1/8% certificates of indebtedness and 4% Treasury notes maturing August 1, 1961, may be made for a like face amount of either the 3-1/4% Treasury notes maturing November 15, 1962, or the 3-3/4% Treasury notes maturing August 15, 1964. Coupons dated August 1, 1961, on the maturing 3-1/8% certificates and 4% Treasury notes exchanged for the new Treasury notes should be detached by holders and cashed when due.

Exchanges of the securities maturing August 1, 1961, for additional amounts of the 3-7/8% Treasury Bonds maturing May 15, 1968, will be made with interest adjustments as of August 1, 1961. Coupons dated August 1, 1961, on the maturing certificates and notes exchanged, must be attached to the certificates and notes when surrendered. Adjustments will be made with the subscribers to the 3-7/8% Treasury Bonds of 1968, as follows:

Maturing issue exchanged for 3-7/8% Bond	Credits per $1,000		Charges per $1,000	Difference to be paid to subscriber
	Amount due on maturing issue	Discount on 3-7/8% Bond	Accrued interest to 8/1/61 on 3-7/8% Bond	
3-1/8% Certificate	$15.625	$6.25	$8.21332	$13.66168
4% Note	20.00	6.25	8.21332	18.03668

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Exchanges of 2-3/4% Treasury Bonds

The maturing 2-3/4% Treasury Bonds due September 15, 1961, may be exchanged for a like face amount of the new 3-1/4% Treasury notes due November 15, 1962, or the 3-3/4% Treasury notes due August 15, 1964, with interest adjustments as of August 1, 1961. Exchanges of the maturing 2-3/4% Treasury Bonds due September 15, 1961, also may be made for a like face amount of the additional 3-7/8% Treasury Bonds due May 15, 1968, which will be issued at 99.375, with interest adjustments as of August 1, 1961.

Coupons dated September 15, 1961, must be attached to the 2-3/4% Treasury Bonds of 1961 in coupon form when surrendered. Adjustments with the holders who exchange their 2-3/4% Bonds will be made as follows:

2-3/4% Bonds exchanged for	Credits per $1,000		Charges per $1,000	Amount to be paid to subscriber
	Accrued interest on 2-3/4% Bond to 8/1/61	Discount on 3-7/8% Bond	Accrued interest to 8/1/61 on 3-7/8% Bond	
3-1/4% note 11/15/62	$10.38723	-	-	$10.38723
3-3/4% note 8/15/64	10.38723	-	-	10.38723
3-7/8% Bonds of 1968	10.38723	$6.25	$8.21332	8.42391

Exchanges of 1-1/2% Treasury Notes

Holders of the 1-1/2% Treasury notes, Series EO-1961, maturing October 1, 1961, may exchange them for a like face amount of the new 3-1/4% Treasury notes maturing November 15, 1962, the 3-3/4% Treasury notes maturing August 15, 1964, or additional 3-7/8% Treasury Bonds due May 15, 1968, which will be offered at 99.375. Exchanges of the 1-1/2% Treasury notes, Series EO-1961, will be made with interest adjustments as of September 1, 1961.

Coupons dated October 1, 1961, must be attached to the 1-1/2% Treasury notes when surrendered. Adjustments with the holders who exchange their 1-1/2% Treasury notes will be made as follows:

1-1/2% Treasury note exchanged for	Credits per $1,000 Accrued interest on 1-1/2% note to 9/1/61	Credits per $1,000 Discount on 3-7/8% Bond	Charges per $1,000 Accrued interest to 9/1/61	Difference to be paid to subscriber
3-1/4% note 11/15/62	$6.27049	-	$2.73777	$3.53272
3-3/4% note 8/15/64	6.27049	-	3.18261	3.08788
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An announcement concerning the issuance of $3.5 billion of 240-day Treasury tax anticipation bills is also being released at this time.

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July 7, 1961

MEMORANDUM TO MR. MARTIN L. MOORE:

The following transactions were made in direct and guaranteed securities of the government for Treasury Investment and other accounts during the month of June:

Purchases................	$ 108,398,500.00
Sales....................	93,047,500.00
Net Purchases.......	$ 15,351,000.00

Wm

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TREASURY DEPARTMENT

WASHINGTON, D.C.

~~June 15, 1961~~
July 14, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~MAY~~ June

During ~~May~~ June 1961, 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 ~~$24,170,800~~. $15,351,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 14, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JUNE

During June 1961, 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 $15,351,000.

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U S - El Salvador Sign $6 Million Exchange Agreem

~~Press Release for July 14, 1961~~

Secretary of the Treasury Douglas Dillon and Rafael Glower Valdivieso, the Minister of Economy of El Salvador, today signed an exchange agreement in the amount of $6 million.

Under the agreement, which will run for one year, El Salvador may request the United States Exchange Stabilization Fund to purchase Salvadoran colones should the occasion for such purchases arise. Any colones so acquired by the U. S. Treasury would subsequently be repurchased by El Salvador for dollars.

This exchange agreement is designed to assist El Salvador to maintain its present unified exchange rate and to restore equilibrium in El Salvador's balance of payments.

The Board of Directors of the Export-Import Bank today authorized a credit of $10, 000,000 to the Banco Central de Reserva de El Salvador to maintain essential imports from the United States.

The agreement with the U. S. Treasury supplements the $11,250,000 standby arrangement with the International Monetary Fund which became effective July 13, 1961.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 14, 1961

FOR IMMEDIATE RELEASE

U.S.- EL SALVADOR SIGN $6 MILLION EXCHANGE AGREEMENT

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July 17, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, July 18, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 April 20, 1961, and the other series to be dated July 20, 1961, which were offered on July 12, were opened at the Federal Reserve Banks on July 17. Tenders were invited for $1,100,000,00 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 October 19, 1961		:	182-day Treasury bills maturing January 18, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.451	2.172%	:	98.801	2.372%
Low	99.437	2.227%	:	98.784	2.405%
Average	99.444	2.200% 1/	:	98.794	2.385% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 42,096,000	$ 24,096,000	:	$ 2,896,000	$ 2,896,000
New York	1,339,981,000	659,481,000	:	821,866,000	418,991,000
Philadelphia	31,103,000	15,103,000	:	7,058,000	2,058,000
Cleveland	34,661,000	29,361,000	:	19,158,000	7,158,000
Richmond	11,616,000	11,616,000	:	1,315,000	1,315,000
Atlanta	18,615,000	17,915,000	:	3,652,000	3,152,000
Chicago	221,991,000	147,391,000	:	72,317,000	35,317,000
St. Louis	87,210,000	69,540,000	:	4,679,000	4,179,000
Minneapolis	14,434,000	12,334,000	:	5,669,000	4,169,000
Kansas City	41,507,000	41,407,000	:	6,119,000	5,719,000
Dallas	14,700,000	14,700,000	:	2,546,000	2,546,000
San Francisco	57,951,000	57,351,000	:	13,169,000	12,564,000
TOTALS	$1,915,865,000	$1,100,295,000 a/		$960,464,000	$500,064,000 b/

a/ Includes $240,104,000 noncompetitive tenders accepted at the average price of 99.444
b/ Includes $45,564,000 noncompetitive tenders accepted at the average price of 98.794
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.24%, for the 91-day bills, and 2.45%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

415

WASHINGTON, D.C.
July 17, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, July 18, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 April 20, 1961, and the other series to be dated July 20, 1961, which were offered on July 12, were opened at the Federal Reserve Banks on July 17. 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 October 19, 1961		182-day Treasury bills maturing January 18, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.451	2.172%	98.801	2.372%
Low	99.437	2.227%	98.784	2.405%
Average	99.444	2.200% 1/	98.794	2.385% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 42,096,000	$ 24,096,000	$ 2,896,000	$ 2,896,000
New York	1,339,981,000	659,481,000	821,866,000	418,991,000
Philadelphia	31,103,000	15,103,000	7,058,000	2,058,000
Cleveland	34,661,000	29,361,000	19,158,000	7,158,000
Richmond	11,616,000	11,616,000	1,315,000	1,315,000
Atlanta	18,615,000	17,915,000	3,652,000	3,152,000
Chicago	221,991,000	147,391,000	72,317,000	35,317,000
St. Louis	87,210,000	69,540,000	4,679,000	4,179,000
Minneapolis	14,434,000	12,334,000	5,669,000	4,169,000
Kansas City	41,507,000	41,407,000	6,119,000	5,719,000
Dallas	14,700,000	14,700,000	2,546,000	2,546,000
San Francisco	57,951,000	57,351,000	13,189,000	12,564,000
TOTALS	$1,915,865,000	$1,100,295,000 a/	$960,464,000	$500,064,000 b/

a/ Includes $240,104,000 noncompetitive tenders accepted at the average price of 99.444
b/ Includes $45,564,000 noncompetitive tenders accepted at the average price of 98.794
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.24%, for the 91-day bills, and 2.45%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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BETA XX MODIFIED

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.

~~xBETAxxMODIFIED~~

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 27, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on October 26, 1961 ~~(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 27, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 27, 1961 ~~(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

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~4:00 P.M.~~ July 19, 1961

~~(1)~~

TREASURY'S WEEKLY BILL OFFERING

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 July 27, 1961 ~~(3)~~, in the amount of $1,600,818,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued July 27, 1961 ~~(6)~~, in the amount of $1,100,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated April 27, 1961 ~~(8)~~, and to mature October 26, 1961 ~~(9)~~, originally issued in the amount of $ 500,219,000 ~~(10)~~ (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182 ~~(11)~~ -day bills, for $ 500,000,000 ~~(12)~~, or thereabouts, to be dated July 27, 1961 ~~(13)~~, and to mature January 25, 1962 ~~(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, July 24, 1961 ~~(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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 19, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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 July 27,1961 in the amount of \$ 1,600,818,000 as follows:

91 -day bills (to maturity date) to be issued July 27, 1961, in the amount of \$1,100,000,000, or thereabouts, representing an additional amount of bills dated April 27, 1961, and to mature October 26, 1961 originally issued in the amount of \$500,219,000 (including \$100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182 -day bills, for \$ 500,000,000 or thereabouts, to be dated July 27, 1961 and to mature January 25, 1962

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, July 24,1961. 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.

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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 April 27, 1961 (91 days remaining until maturity date on October 26, 1961 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 27, 1961 in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 27, 1961 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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Supreme Court in 1956 in Commissioner v. LoBue, 351 U. S. 243, that options granted in connection with the rendition of services are compensatory in nature and subject to tax. The problem at present is one of determining the time at which options should be taxed--for example, whether on grant, or on exercise, or on sale of the stock acquired pursuant to exercise--and, as a corollary to the timing of the income derived from the option, the amount and type of gain--whether ordinary or capital. The Treasury Department at one time by regulations sought to provide that options not qualifying under section 421 were not taxable upon grant but were taxable when transferred or exercised, the recipient of the option realizing ordinary income at such time. In several decisions, the courts have refused to uphold such a rule. In January of this year, the regulations were amended to provide as to employees that an option in certain cases may be taxable upon grant.

There is a substantial administrative problem involved if options are to be taxed upon grant. The value of an option is often very uncertain and difficult to determine. It may be necessary if section 421 were repealed in order to handle satisfactorily the more technical aspects of taxing stock options to enact legislation specifying rules as to the timing and amount of income realized from such options.

To conclude, in addition to the problems of basic policy involved in according employee stock options special treatment, there are problems in this area of a more technical nature which the Treasury is also studying in connection with its review of this area as part of its program of general tax revision.

the stock so acquired shortly after the minimum holding period. In such situations, section 421 merely provides a way in which compensation can be paid to selected employees without the payment of ordinary income tax thereon and with no possible incentive effect through continued holding of stock. In this connection, it has been pointed out that in providing other incentive tax benefits in the compensation area, such as pension, profit-sharing, and stock-bonus plans, Congress has required that the extension of the benefits must be non-discriminitory--that is, they must be proportionately available to a substantial number of the employees of an enterprise. The benefits of stock options can be bestowed at will on selected employees, discretion in this regard being unrestricted by section 421.

The basic question raised by S. 1625 is whether this particular form of executive compensation should be accorded special tax treatment. Entirely apart from the above criticisms of the manner in which section 421 has operated, since the preference accorded by section 421 to selected persons is so substantial, both the basic policy objectives of such section and the extent to which they have been realized in actual practice should be reviewed.

If S. 1625 were to be enacted and section 421 repealed, consideration might well have to be given to the bunching of income which might occur if all the compensation involved in an employee option were to be taxed in the year of exercise. This would involve examination of various methods of spreading or averaging such taxable income over an appropriate period of time. This problem may be somewhat similar to that involved in sections 1301 through 1306 of the Internal Revenue Code.

We plan to consider all the alternatives in the stock option area and had intended to complete our study before next year so that, if changes seem desirable, they could be proposed as part of the program of general tax revision. However, if your Committee wishes to develop new legislation this year, we will be pleased to work with you to this end.

In this connection, it should be recognized that, apart from the basic policy questions raised by section 421, there are serious problems of a more technical nature in the stock option area. There is at present considerable controversy as to what rules should govern the taxation of employee options which do not qualify under section 421. Non-qualifying options are on occasion received by employees, although such occurrence normally is not intentional but rather is attributable to inability to meet the requirements of section 421. If section 421 were to be repealed, there might be an even larger group of employee options to be governed by non-statutory rules. While at one time there was controversy as to whether such options were to be taxed at all, it is now clear, and has at least been clear since the decision of the fair market value of the stock upon exercise. Thus, a substantial economic benefit may be obtained, and retained indefinitely, without the payment of any tax. If the stock is sold, then there may be tax, but income realized on the sale of the stock, including that attributable to appreciation prior to the exercise of the option, is taxed as a capital gain. If the stock is held until death, there is no income tax at any time.

Where the option price is between 85 and 95 percent of the fair market value of the stock at the time the option is granted, a more involved rule becomes applicable. No income is realized on the exercise of the option, but the spread between the option price and the fair market value of the stock at the time of grant is taxable as ordinary income on any disposition of the stock, including transfer upon death. In the case of a person who owns more than 10 percent of the stock of his employer, the option price must be at least 110 percent of the fair market value of the stock on the date when the option is granted. Also, in such a case, the option can be exercised only within a period of five years. In cases of employees with lesser stock interests, the option can be exercised over a period of ten years. In all cases, the benefits cannot be obtained unless the stock is held until at least two years after the date the option was granted, and for at least six months after the option was exercised.

Section 421 has been the subject of varied criticism, primarily along the following lines.

It has been contended that, in practice, the law discriminates against the closely-held company whose stock is not listed on an established exchange and in favor of the company whose stock is so listed. The reason is that, in order to qualify under section 421, the option price must be at least 85 or 95 percent of the fair market value of the stock at the time the option is granted. When the stock of a company is not listed on an established exchange, the company ordinarily has great difficulty in establishing with reasonable certainty the fair market value of its stock, and, consequently, unlisted companies are reluctant to use section 421. On the other hand, companies which are publicly held have no such difficulty. Moreover, it has been asserted that in some instances smaller companies have had difficulty in retaining promising executives because larger companies have induced these executives to join them by offering restricted employee stock options.

A more fundamental criticism of section 421 that has been voiced is that often it has not in fact operated to encourage employees to acquire a proprietary interest in the business - a primary purpose for which the section was enacted. It has been suggested that in many instances the employee, who has exercised the restricted option, sells

TREASURY DEPARTMENT
Washington

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July 20, 1961

For Release: Upon Delivery

STATEMENT OF MICHAEL WARIS, JR.
ASSOCIATE TAX LEGISLATIVE COUNSEL OF THE TREASURY DEPARTMENT
BEFORE THE
SENATE FINANCE COMMITTEE
ON S. 1625, RELATING TO THE TAX TREATMENT OF
CERTAIN EMPLOYEE STOCK OPTIONS
THURSDAY, JULY 20, 1961
10:00 A.M., EDT

I am happy to be here today to present the views of the Treasury Department regarding S. 1625. This bill would terminate the tax treatment now accorded to certain employee options by making section 421 inapplicable to options granted after April 13th of this year.

The statutory tax treatment of "restricted employee options" was introduced into the Internal Revenue Code in 1950. The Congressional purpose appears to have been primarily to assist corporations in securing better management. This was to be accomplished by facilitating the acquisition by key employees of a proprietary interest in the business. Senate Report No. 2375 stated that:

> "Such options are frequently used as incentive devices by corporations who wish to attract new management, to convert their officers into 'partners' by giving them a stake in the business, to retain the services of executives who might otherwise leave, or to give their employees generally a more direct interest in the success of the corporation."

It is clear that extensive use has been made of section 421 to compensate key corporate employees. In June, 1959, Business Week reported that a recent National Industrial Conference Board survey of 673 companies listed on stock exchanges indicated that 69% of such companies had such plans at that time.

Section 421 provides a particularly complex scheme for according special treatment. If the option price is at least 95 percent of the fair market value of the stock at the time the option is granted, then no income is realized on the exercise of the option regardless of the

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TREASURY DEPARTMENT
Washington

July 20, 1961

For Release: Upon Delivery

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Section 421 provides a particularly complex scheme for according special treatment. If the option price is at least 95 percent of the fair market value of the stock at the time the option is granted, then no income is realized on the exercise of the option regardless of the fair market value of the stock upon exercise. Thus, a substantial economic benefit may be obtained, and retained indefinitely, without the payment of any tax. If the stock is sold, then there may be tax, but income realized on the sale of the stock, including that attributable to appreciation prior to the exercise of the option, is taxed as a capital gain. If the stock is held until death, there is no income tax at any time.

Where the option price is between 85 and 95 percent of the fair market value of the stock at the time the option is granted, a more involved rule becomes applicable. No income is realized on the exercise of the option, but the spread between the option price and the fair market value of the stock at the time of grant is taxable as ordinary income on any disposition of the stock, including transfer upon death. In the case of a person who owns more than 10 percent of the stock of his employer, the option price must be at least 110 percent of the fair market value of the stock on the date when the option is granted. Also, in such a case, the option can be exercised only within a period of five years. In cases of employees with lesser stock interests, the option can be exercised over a period of ten years. In all cases, the benefits cannot be obtained unless the stock is held until at least two years after the date the option was granted, and for at least six months after the option was exercised.

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It has been contended that, in practice, the law discriminates against the closely-held company whose stock is not listed on an established exchange and in favor of the company whose stock is so listed. The reason is that, in order to qualify under section 421, the option price must be at least 85 or 95 percent of the fair market value of the stock at the time the option is granted. When the stock of a company is not listed on an established exchange, the company ordinarily has great difficulty in establishing with reasonable certainty the fair market value of its stock, and, consequently, unlisted companies are reluctant to use section 421. On the other hand, companies which are publicly held have no such difficulty. Moreover, it has been asserted that in some instances smaller companies have had difficulty in retaining promising executives because larger companies have induced these executives to join them by offering restricted employee stock options.

A more fundamental criticism of section 421 that has been voiced is that often it has not in fact operated to encourage employees to acquire a proprietary interest in the business - a primary purpose for which the section was enacted. It has been suggested that in many instances the employee, who has exercised the restricted option, sells the stock so acquired shortly after the minimum holding period. In such situations, section 421 merely provides a way in which compensation can be paid to selected employees without the payment of ordinary income tax thereon and with no possible incentive effect through continued holding of stock. In this connection, it has been pointed out that in providing other incentive tax benefits in the compensation area, such as pension, profit-sharing, and stock-bonus plans, Congress has required that the extension of the benefits must be non-discriminitory--that is, they must be proportionately available to a substantial number of the employees of an enterprise. The benefits of stock options can be bestowed at will on selected employees, discretion in this regard being unrestricted by section 421.

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We plan to consider all the alternatives in the stock option area and had intended to complete our study before next year so that, if changes seem desirable, they could be proposed as part of the program of general tax revision. However, if your Committee wishes to develop new legislation this year, we will be pleased to work with you to this end.

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Supreme Court in 1956 in Commissioner v. LoBue, 351 U. S. 243, that options granted in connection with the rendition of services are compensatory in nature and subject to tax. The problem at present is one of determining the time at which options should be taxed--for example, whether on grant, or on exercise, or on sale of the stock acquired pursuant to exercise--and, as a corollary to the timing of the income derived from the option, the amount and type of gain--whether ordinary or capital. The Treasury Department at one time by regulations sought to provide that options not qualifying under section 421 were not taxable upon grant but were taxable when transferred or exercised, the recipient of the option realizing ordinary income at such time. In several decisions, the courts have refused to uphold such a rule. In January of this year, the regulations were amended to provide as to employees that an option in certain cases may be taxable upon grant.

There is a substantial administrative problem involved if options are to be taxed upon grant. The value of an option is often very uncertain and difficult to determine. It may be necessary if section 421 were repealed in order to handle satisfactorily the more technical aspects of taxing stock options to enact legislation specifying rules as to the timing and amount of income realized from such options.

To conclude, in addition to the problems of basic policy involved in according employee stock options special treatment, there are problems in this area of a more technical nature which the Treasury is also studying in connection with its review of this area as part of its program of general tax revision.

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IMMEDIATE RELEASE
JULY 20, 1961

JOINT STATEMENT OF DOUGLAS DILLON, SECRETARY OF THE TREASURY, AND DAVID E. BELL, DIRECTOR OF THE BUREAU OF THE BUDGET

The monthly budget statement for June, released today, showed that Federal expenditures for the fiscal year ending June 30, 1961 were $81.5 billion. Revenues were $77.6 billion, leaving a budget deficit of $3.9 billion. The deficit was higher than expected, because the revenue and expenditure effects of the recent recession were greater than anticipated.

Lower total receipts resulted primarily from individual income tax collections substantially below previous estimates, plus an unexpected increase of $329 million in tax refunds. Expenditures were higher than had been anticipated, mainly for the military activities of the Department of Defense. On February 2, the President directed that expenditures for procurement and construction be temporarily accelerated as an anti-recession measure. The year-end figures show that this acceleration was more rapid than was anticipated.

The following table compares the actual results for fiscal year 1961 with the estimates made in March by the present administration, the January estimates of the previous administration, and the results for 1960.

BUDGET TOTALS

(Fiscal years. In billions)

		1961		
	1960 actual	January estimate	March 28 estimate	Actual*
Receipts....................	$77.8	$79.0	$78.5	$77.6
Expenditures................	76.5	78.9	80.7	81.5
Surplus (+) or deficit (-)...	+1.2	+.1	-2.2	-3.9

*Preliminary

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Budget receipts were $946 million lower than estimated in March resulting primarily from a decline of $856 million in individual income tax collections and an increase of $329 million in refunds of receipts. Final payments (in April) on calendar year 1960 personal incomes and recent tax withholdings were both lower than had been expected. Although a substantial increase in refunds over their 1960 level had been taken into account in the earlier estimates, the actual increase exceeded expectations, as taxpayers with recession-reduced incomes filed 2,000,000 more refund claims than were expected. The decline in individual income tax receipts and the increase in the number of refunds were partially offset by higher than estimated corporation income taxes (up $65 million) and all other receipts (up $206 million). The latter, however, reflects over $500 million collected from the advance loan repayment by the Republic of Germany.

Budget expenditures were $810 million greater than the March estimates. The largest increase was for the Department of Defense--Military (including military assistance), which was $651 million more than estimated. The next largest increase over the March estimates was for the Department of Agriculture, up $147 million, mainly because of higher participation by more farmers than had been expected in the new feed grains program.

Comparison with January estimates.--The 1961 deficit of $3.9 billion contrasts with the surplus of $79 million estimated in January of this year by the preceding administration.

Tax collections, based chiefly on earnings received in the calendar year 1960, fell short of the January estimate by $2 billion not including the advance repayment of over $500 million on the German loan, which was not counted in the January estimate.

Total expenditures exceeded the amounts estimated in January by $2.6 billion. Military expenditures of the Department of Defense (including military assistance) showed an increase of $1,451 million above the January estimate, of which $561 million reflects higher expenditures for the programs in the January budget estimates rather than program changes. Expenditures of the Post Office were higher than anticipated, chiefly because the January budget was based on the assumption that the Congress would enact postal rate increases effective April 1, 1961, in time to reduce the 1961 postal deficit by $160 million. The program of temporary extended unemployment benefits, recommended by President Kennedy, accounted for $498 million of the increase over the January estimate.

Attachments

Attachment

BUDGET RECEIPTS AND EXPENDITURES

(Fiscal years. In millions)

Description	1960 actual	1961 January 16 estimate	1961 March 28 estimate	1961 Actual	1961 Change from March 28 estimate
Receipts by source					
Individual income taxes	$44,946	$47,800	$47,000	$46,144	-$856
Corporation income taxes	22,179	21,100	21,700	21,765	+65
Excise taxes	9,222	9,404	9,204	9,146	-58
All other receipts	7,155	6,719	6,719	6,925	+206
Less: refunds	5,045	5,323	5,423	5,752	+329
Subtotal	78,457	79,700	79,200	78,227	-973
Deduct interfund transactions ..	694	676	676	649	-27
Net budget receipts	77,763	79,024	78,524	77,578	-946
Expenditures by major agency					
Legislative branch and the judiciary	175	208	200	185	-15
Executive Office of the President	56	61	72	70	-2
Funds appropriated to the President:					
Mutual security--economic and contingencies	1,613	1,675	1,725	1,792	+67
Other	143	43	58	3	-55
Independent offices:					
Atomic Energy Commission	2,623	2,660	2,660	2,716	+56
Export-Import Bank	-323	-100	-50	37	+87
Federal Aviation Agency	508	640	630	639	+9
National Aeronautics and Space Administration	401	770	720	744	+24
Veterans Administration	5,250	5,314	5,400	5,401	+1
Other	555	770	759	741	-18
General Services Administration.	408	442	420	387	-33
Housing and Home Finance Agency.	309	544	525	498	-27
Department of Agriculture	5,419	5,739	5,807	5,954	+147
Department of Commerce	539	511	511	498	-13
Department of Defense--Military:					
Military functions	41,215	41,500	42,500	43,211	+711
Military assistance...........	1,609	1,700	1,500	1,440	-60
Department of Defense--Civil ...	902	986	1,015	971	-44
Department of Health, Education, and Welfare	3,403	3,716	3,744	3,685	-59
Department of the Interior	690	785	785	801	+16
Department of Justice	258	285	285	284	-1

Description	1960 actual	1961 January 16 estimate	1961 March 28 estimate	1961 Actual	1961 Change from March 28 estimate
Expenditures by major agency-Cont.					
Department of Labor	$549	$295	$892	$831	-$61
Post Office Department	525	786	926	929	+3
Department of State	247	260	260	253	-7
Treasury Department:					
Interest	9,266	8,993	8,993	9,055	+62
Other	865	965	965	976	+11
District of Columbia	28	48	42	50	+8
Allowance for contingencies	-	25	25	-	-25
Subtotal	77,233	79,621	81,369	82,152	+783
Deduct interfund transactions ...	694	676	676	649	-27
Total budget expenditures .	76,539	78,945	80,693	81,503	+810
Budget surplus (+) or deficit (-)	+1,224	+79	-2,169	-3,925	+1,756

NOTE: - Figures are rounded to nearest million and will not necessarily add to totals.

July 20, 1961

EXPLANATION OF MAJOR DIFFERENCES BETWEEN ACTUAL 1961 EXPENDITURES AND MARCH ESTIMATES

Funds appropriated to the President:

Mutual security--economic and contingencies--$67 million more than estimate, as loans, grants, and deliveries were made at a somewhat higher rate than indicated by previous trends.

Other--$55 million less than estimated, because estimated 1961 payments for Chilean reconstruction were deferred ($25 million) and unexpected repayments were received on loans for defense production activities (net loans down $30 million).

Atomic Energy Commission--$56 million more than anticipated as a result of faster progress in the construction program.

Export-Import Bank--$87 million more than the estimate principally because portfolio sales were less than anticipated.

General Services Administration--$33 million less than estimated mainly because there was slower progress than expected on (1) construction and (2) general supply activities.

Housing and Home Finance Agency--$27 million less than expected chiefly for special assistance purchases of the Federal National Mortgage Association.

Department of Agriculture--$147 million more than estimate:

Commodity Credit Corporation--$220 million more than estimated mainly as a result of higher than expected participation in the feed grain program.

Other--$73 million less than estimate principally for the Rural Electrification Administration, the Farmers Home Administration, and domestic distribution of surplus agricultural commodities.

Department of Defense--Military (including military assistance)--$651 million more than estimate, mainly because of greater acceleration of procurement and construction programs than had been anticipated and earlier payments of some defense bills.

Department of Defense--Civil--$44 million less than expected as result of construction delays caused by bad weather, floods, and land acquisition difficulties in certain parts of the country.

Department of Health, Education, and Welfare--$59 million lower than expected, primarily for the new program for aid to dependent children of unemployed parents ($20 million), for the National Institutes of Health ($20 million), and for defense educational activities ($17 million).

Department of Labor--$61 million less than estimated, principally because of a congressional deferral of a portion of the advance to the unemployment trust fund for the temporary extended unemployment benefit program.

Treasury Department--Interest--$62 million higher than estimated, because of the higher deficit and increased borrowings.

United States Treasury Department
Fiscal Service
Bureau of Accounts

This statement is preliminary and is based on reports from collecting and disbursing agencies received through July 13, 1961. Final reports of Government collecting and disbursing agencies including certain overseas transactions for the year ended June 30, 1961, which it has not been possible to include in this statement will be incorporated in the final statement to be published at a later date.

Monthly Statement of Receipts and Expenditures of the United States Government

for the period from July 1, 1960 through June 30, 1961

(Cents omitted, therefore details will not add to totals)

TABLE I--SUMMARY

Year	Budget receipts and expenditures				Public debt (end of period)[a]	Balance in account of Treasurer, U.S. (end of period)
	Gross receipts	Net receipts	Net expenditures	Budget surplus(+) or deficit (-)		
Estimated 1962*	$103,860,000,000	[1] $81,433,000,000	[1] $84,259,000,000	-$2,826,000,000	([2])	([2])
Estimated 1961*	100,003,000,000	[1] 78,524,000,000	[1] 80,693,000,000	-2,169,000,000	([2])	([2])
Actual fiscal year 1961 (twelve months)	99,404,955,255	[1] 77,577,691,870	[1] 81,502,661,054	-3,924,969,183	$288,970,938,610	$6,694,119,953
Actual fiscal year 1960	96,962,198,070	[1] 77,763,460,220	[1] 76,539,412,798	+1,224,047,421	286,330,760,848	8,004,740,998
Actual fiscal year 1959	83,904,266,060	[3] 67,915,348,624	[3] 80,342,335,375	-12,426,986,751	284,705,907,078	5,350,391,763
Actual fiscal year 1958	83,973,500,309	[3] 68,549,720,044	[3] 71,369,174,086	-2,819,454,041	276,343,217,745	9,749,102,977

TABLE II--BUDGET SUMMARY--FISCAL YEAR 1961

Classification	Fiscal year 1961 to date			Net budget estimates fiscal year 1961*
	Gross receipts	Applicable deductions[4]	Net receipts[5]	
BUDGET RECEIPTS				
Internal Revenue	$94,396,478,167	$21,150,184,182	$73,246,293,985	$74,507,000,000
Customs	1,007,755,214	25,439,531	982,315,682	998,000,000
Miscellaneous receipts	4,000,721,872	2,304,634	3,998,417,238	3,695,000,000
Total	99,404,955,255	21,177,928,348	78,227,026,906	79,200,000,000
Deduct: Certain interfund transactions[1]	....	....	649,335,035	676,000,000
Grand total	....	....	77,577,691,870	78,524,000,000
	Gross expenditures	Applicable receipts (deduct)[4]	Net expenditures[5]	
BUDGET EXPENDITURES				
Legislative Branch	$133,504,727	....	$133,504,727	$149,000,000
The Judiciary	51,968,149	....	51,968,149	51,000,000
Executive Office of the President	69,796,923	$184,396	69,612,527	72,000,000
Funds appropriated to the President:				
Mutual security-economic assistance	1,810,477,208	18,440,000	1,792,037,208	1,725,000,000
Other	96,556,036	93,631,336	2,924,699	58,000,000
Independent Offices:				
Atomic Energy Commission	2,715,582,366	....	2,715,582,366	2,660,000,000
National Aeronautics and Space Adm......	744,306,288	....	744,306,288	720,000,000
Veterans Administration	5,625,427,267	224,021,490	5,401,405,776	5,400,000,000
Other	2,464,712,460	1,047,975,452	1,416,737,008	1,339,000,000
General Services Administration	389,838,958	2,823,970	387,014,988	420,000,000
Housing and Home Finance Agency	2,415,964,207	1,917,698,526	498,265,681	525,000,000
Agriculture Department	8,909,722,203	2,955,652,528	5,954,069,674	5,807,000,000
Commerce Department	507,545,172	9,455,895	498,089,277	511,000,000
Defense Department:				
Military functions	43,276,187,164	64,774,282	43,211,412,881	42,500,000,000
Military assistance	1,439,579,061	....	1,439,579,061	1,500,000,000
Civil functions	1,082,381,816	111,328,409	971,053,406	1,015,000,000
Health, Education, and Welfare Department .	3,688,503,117	3,816,737	3,684,686,380	3,744,000,000
Interior Department	839,516,564	38,208,515	801,308,049	785,000,000
Justice Department	284,176,167	....	284,176,167	285,000,000
Labor Department	1,086,932,330	256,347,950	830,584,380	892,000,000
Post Office Department [6]	4,401,619,785	3,472,157,972	929,461,813	926,000,000
State Department	252,522,070	....	252,522,070	260,000,000
Treasury Department:				
Interest on the public debt	8,962,206,472	....	8,962,206,472	8,900,000,000
Other	1,074,542,129	5,290,755	1,069,251,373	1,058,000,000
District of Columbia	50,433,000	....	50,433,000	42,000,000
Unclassified expenditure transfers [7]	-197,342	....	-197,342	....
Allowance for contingencies	....	....	....	25,000,000
Total	92,373,804,311	10,221,808,221	82,151,996,090	81,369,000,000
Deduct: Certain interfund transactions[1]	....	....	649,335,035	676,000,000
Grand total	....	....	81,502,661,054	80,693,000,000
Budget surplus (+) or deficit (-)			-3,924,969,183	-2,169,000,000

See footnotes on page 9

United States Treasury Department
Fiscal Service
Bureau of Accounts

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for the period from July 1, 1960 through June 30, 1961

(Cents omitted, therefore details will not add to totals)

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Actual fiscal year 1961 (twelve months)	99,404,955,255	[1] 77,577,691,870	[1] 81,502,661,054	-3,924,969,183	$288,970,938,610	$6,694,119,953
Actual fiscal year 1960	96,962,198,070	[1] 77,763,460,220	[1] 76,539,412,798	+1,224,047,421	286,330,760,848	8,004,740,998
Actual fiscal year 1959	83,904,266,060	[3] 67,915,348,624	[3] 80,342,335,375	-12,426,986,751	284,705,907,078	5,350,391,763
Actual fiscal year 1958	83,973,500,309	[3] 68,549,720,044	[3] 71,369,174,086	-2,819,454,041	276,343,217,745	9,749,102,977

TABLE II--BUDGET SUMMARY--FISCAL YEAR 1961

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Total	99,404,955,255	21,177,928,348	78,227,026,906	79,200,000,000
Deduct: Certain interfund transactions[1]	....	....	649,335,035	676,000,000
Grand total	....	....	77,577,691,870	78,524,000,000
	Gross expenditures	**Applicable receipts (deduct)[4]**	**Net expenditures[5]**	
BUDGET EXPENDITURES				
Legislative Branch	$133,504,727	....	$133,504,727	$149,000,000
The Judiciary	51,968,149	....	51,968,149	51,000,000
Executive Office of the President	69,796,923	$184,396	69,612,527	72,000,000
Funds appropriated to the President:				
Mutual security-economic assistance	1,810,477,208	18,440,000	1,792,037,208	1,725,000,000
Other	96,556,036	93,631,336	2,924,699	58,000,000
Independent Offices:				
Atomic Energy Commission	2,715,582,366	....	2,715,582,366	2,660,000,000
National Aeronautics and Space Adm......	744,306,288	....	744,306,288	720,000,000
Veterans Administration...............	5,625,427,267	224,021,490	5,401,405,776	5,400,000,000
Other........................	2,464,712,460	1,047,975,452	1,416,737,008	1,339,000,000
General Services Administration	389,838,958	2,823,970	387,014,988	420,000,000
Housing and Home Finance Agency.........	2,415,964,207	1,917,698,526	498,265,681	525,000,000
Agriculture Department	8,909,722,203	2,955,652,528	5,954,069,674	5,807,000,000
Commerce Department................	507,545,172	9,455,895	498,089,277	511,000,000
Defense Department:				
Military functions	43,276,187,164	64,774,282	43,211,412,881	42,500,000,000
Military assistance	1,439,579,061	....	1,439,579,061	1,500,000,000
Civil functions	1,082,381,816	111,328,409	971,053,406	1,015,000,000
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Interior Department................	839,516,564	38,208,515	801,308,049	785,000,000
Justice Department	284,176,167	....	284,176,167	285,000,000
Labor Department	1,086,932,330	256,347,950	830,584,380	892,000,000
Post Office Department[6]	4,401,619,785	3,472,157,972	929,461,813	926,000,000
State Department	252,522,070	....	252,522,070	260,000,000
Treasury Department:				
Interest on the public debt	8,962,206,472	....	8,962,206,472	8,900,000,000
Other........................	1,074,542,129	5,290,755	1,069,251,373	1,058,000,000
District of Columbia	50,433,000	....	50,433,000	42,000,000
Unclassified expenditure transfers[7]	-197,342	....	-197,342	....
Allowance for contingencies..............	....	....	....	25,000,000
Total	92,373,804,311	10,221,808,221	82,151,996,090	81,369,000,000
Deduct: Certain interfund transactions[1]	....	....	649,335,035	676,000,000
Grand total........................	....	....	81,502,661,054	80,693,000,000
Budget surplus (+) or deficit (-)...........			-3,924,969,183	-2,169,000,000

See footnotes on page 9

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
RECEIPTS				
Internal Revenue:				
Individual income taxes:				
Withheld [8]	[9] $2,450,164,637	$2,272,505,971	[9] $32 968,736,218	$31,674,587,6
Other [8]	[9] 1,937,284,015	1,852,122,420	[9] 13,175,063,858	13,271,123,7
Total individual income taxes	4,387,448,653	4,124,628,392	46,143,800,076	44,945,711,4
Corporation income taxes	5,245,870,751	5,530,388,808	21,765,041,450	22,179,414,2
Excise taxes	1,066,902,984	1,118,169,227	12,068,883,963	11,864,740,8
Employment taxes:				
Federal Insurance Contributions Act and Self-Employment Contributions Act [8]	[9] 1,126,989,732	1,103,638,665	[9] 11,586,283,169	10,210,550,1
Railroad Retirement Tax Act	44,444,738	50,436,286	570,729,763	606,930,8
Federal Unemployment Tax Act	1,099,127	1,120,496	345,356,402	341,107,5
Total employment taxes	1,172,533,598	1,155,195,448	12,502,369,336	11,158,588,62
Estate and gift taxes	145,450,947	135,313,573	1,916,383,341	1,626,347,63
Internal revenue not otherwise classified	....	-7,066,717	....	....
Total internal revenue	12,018,206,934	12,056,628,732	94,396,478,167	91,774,802,82
Customs	83,668,525	90,135,620	1,007,755,214	1,123,037,5
Miscellaneous receipts:				
Interest [10]	311,293,528	330,965,357	936,243,473	967,151,1
Dividends and other earnings	60,906,322	81,981,044	804,785,859	1,110,991,4
Realization upon loans and investments	-9,763,409	-2,286,854	1,006,874,747	436,214,6
Recoveries and refunds	43,221,585	15,656,368	176,254,034	114,342,1
Royalties [11]	10,082,791	52,204,569	68,816,063	96,194,8
Sales of Government property and products	98,956,061	148,514,282	664,766,848	765,916,4
Seigniorage	4,233,401	3,101,553	55,378,802	52,694,0
Other	20,952,329	26,703,316	287,602,044	520,852,84
Total miscellaneous receipts	539,882,612	656,839,638	4,000,721,872	4,064,357,66
Gross budget receipts	12,641,758,073	12,803,603,991	99,404,955,255	96,962,198,07
Deduct:				
Transfers to:				
Federal old-age and survivors insurance trust fund [8]	[9] 1,025,183,984	1,014,348,746	[9] 10,623,470,761	9,271,868,37
Federal disability insurance trust fund [8]	[9] 101,805,747	89,289,919	[9] 962,812,407	938,681,78
Highway trust fund	238,400,000	238,100,000	2,923,240,921	2,642,499,11
Railroad retirement account	44,444,738	50,429,243	570,630,950	606,864,65
Unemployment trust fund [12]	1,099,127	....	345,356,402	....
Total transfers to trust accounts	1,410,933,598	1,392,167,909	15,425,511,445	13,459,913,93
Refunds of receipts:				
Internal revenue	238,908,865	249,730,072	5,724,672,737	5,024,470,80
Customs	2,415,557	2,398,591	25,439,531	18,483,39
Other	216,025	110,188	2,304,634	1,897,06
Total refunds of receipts	241,540,448	252,238,852	5,752,416,903	5,044,851,26
Total deductions	1,652,474,046	1,644,406,761	21,177,928,348	18,504,765,19
Subtotal receipts	10,989,284,026	11,159,197,229	78,227,026,906	78,457,432,87
Deduct: Interest and other income received by Treasury from Government agencies included above and also included in budget expenditures [1]	240,293,665	268,672,105	649,335,035	693,972,65
Net budget receipts	10,748,990,361	10,890,525,124	77,577,691,870	77,763,460,22
EXPENDITURES [13]				
Legislative Branch:				
Senate	2,348,861	2,048,023	26,876,543	25,674,64
House of Representatives	4,498,441	4,078,631	47,323,507	44,207,08
Architect of the Capitol	4,811,425	3,400,971	31,434,476	26,218,15
Botanic Garden	77,336	26,647	833,958	332,50
Library of Congress [14]	1,780,413	1,613,023	15,390,881	13,814,66
Government Printing Office:				
General fund appropriations	1,951,129	1,455,320	15,850,464	15,980,36
Revolving fund (net)	-1,091,546	1,331,449	-4,205,104	-472,56
Total--Legislative Branch	14,376,060	13,954,067	133,504,727	125,754,84
The Judiciary:				
Supreme Court of the United States	197,204	138,630	1,940,449	1,775,21
Court of Customs and Patent Appeals	[15] -122,767	25,749	330,093	307,031
Customs Court	94,151	84,627	851,106	755,144
Court of Claims	83,426	76,031	896,592	822,38
Courts of appeals, district courts, and other judicial services	4,503,698	3,920,235	47,949,907	45,703,322
Total--The Judiciary	4,755,712	4,245,275	51,968,149	49,363,102

See footnotes on pages 9 and 14

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Executive Office of the President:				
Compensation of the President	$12,500	$12,500	$150,000	$150,000
The White House Office	163,092	126,496	2,331,628	2,221,739
Special projects	127,802	133,415	1,382,633	1,212,514
Executive mansion and grounds	59,981	36,049	640,168	464,896
Bureau of the Budget	437,149	346,120	5,260,490	4,631,941
Council of Economic Advisers	38,181	29,042	420,520	381,851
National Security Council	57,996	54,703	793,665	745,775
Office of Civil and Defense Mobilization:				
Civil defense procurement fund (net)	-13,351	2,781	-64,291	-70,063
Other	4,626,687	4,043,637	58,692,607	45,824,966
President's Advisory Committee on Government Organization	....	3,433	31,235	37,424
President's Advisory Committee on Labor-Management Policy	6,352	....	6,490	....
Miscellaneous[16]	2,387	....	-32,621	2,788
Total--Executive Office of the President	5,518,779	4,788,179	69,612,527	55,603,835
Funds appropriated to the President:				
Disaster relief	274,782	-5,462	7,455,828	1,638,660
Emergency fund for the President, National Defense	108,570	5,826	489,444	277,590
Expansion of defense production (net)	-30,302,893	634,195	-12,385,184	130,267,593
Expenses of management improvement	2,609	11,325	232,207	87,239
Transitional grants to Alaska	123,080	63,900	6,033,269	10,385,962
Other	121,063	143,640	1,099,133	508,826
Mutual security-economic assistance:				
Defense Department	1,893,832	3,608,569	33,755,380	33,168,432
International Cooperation Administration	109,209,005	108,209,959	1,307,341,893	1,228,235,517
Public enterprise funds (net):				
Development loan fund	42,074,050	22,069,486	259,022,768	202,351,774
Foreign investment guarantee fund	-184,790	-157,607	-1,672,830	-1,356,226
All other agencies	6,401,187	8,559,232	193,589,995	151,041,662
Total--Economic assistance	159,393,286	142,289,640	1,792,037,208	1,613,441,160
Total--Funds appropriated to the President[17]	129,720,497	143,143,066	1,794,961,908	1,756,607,032
Independent Offices:				
Advisory Commission on Intergovernmental Relations	15,627	13,673	137,706	34,722
Alaska International Rail and Highway Commission	22,466	12,372	108,082	119,444
American Battle Monuments Commission	196,124	259,215	2,441,591	2,873,132
Atomic Energy Commission:				
Defense production guarantees (net)	....	....	....	-12,067
Other	243,683,683	244,262,497	2,715,582,366	2,622,959,391
Central Intelligence Agency-construction	708,879	1,912,728	19,307,075	11,806,726
Civil Aeronautics Board	7,221,472	5,739,637	85,540,727	67,227,078
Civil Service Commission:				
Payment to civil service retirement and disability fund	....	....	[18] 46,329,000	....
Government payment for annuitants, employees health benefits fund	....	....	[19] 2,500,000	....
Government contribution, retired employees health benefits fund	....	....	[20] 1,625,000	....
Other	1,733,072	1,437,380	23,993,780	21,393,372
Total--Civil Service Commission	1,733,072	1,437,380	74,447,780	21,393,372
Commission on Civil Rights	75,133	61,237	813,737	778,297
Commission on International Rules of Judicial Procedure	....	....	....	24,997
Export-Import Bank of Washington (net)	1,247,130	8,322,876	37,213,740	-323,179,691
Farm Credit Administration:				
Public enterprise funds (net):				
Federal Farm Mortgage Corporation fund	1,411	-5,322	-1,736,474	-1,670,829
Federal intermediate credit banks investment fund	....	....	5,500,000	6,250,000
Production credit associations investment fund	-50,000	-300,000	-1,590,000	-1,445,000
Banks for cooperatives investment fund	....	-115	-8,052,400	-8,460,117
Total--Public enterprise funds	-48,588	-305,437	-5,878,874	-5,325,946
Administrative expenses	114,398	188,591	2,387,250	2,212,232
Total--Farm Credit Administration	65,810	-116,845	-3,491,623	-3,113,713
Federal Aviation Agency	55,228,964	46,587,722	638,510,466	507,949,859
Federal Coal Mine Safety Board of Review	4,704	4,082	54,644	52,749
Federal Communications Commission	924,122	805,885	11,948,117	10,367,228
Federal Home Loan Bank Board (net):				
Federal Savings and Loan Insurance Corporation fund	-5,796,742	-5,200,047	-35,192,004	-20,426,341
Other	244,570	39,905	98,670	259,038
Federal Mediation and Conciliation Service	340,714	310,182	4,146,975	3,845,926
Federal Power Commission	645,932	594,234	8,003,429	7,207,034
Federal Trade Commission	622,104	532,421	7,853,651	6,750,521
Foreign Claims Settlement Commission	48,829	34,614	485,192	429,340
General Accounting Office	3,150,902	2,985,669	40,855,952	38,178,088
Historical and memorial commissions	9,229	91,933	278,665	428,286
Indian Claims Commission	16,427	14,205	200,298	175,770
Interstate Commerce Commission	2,441,677	1,578,042	22,139,067	19,405,197
Interstate Commission on Potomac River Basin	....	....	5,000	5,000

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Independent Offices--Continued				
National Aeronautics and Space Administration	$87,860,952	$52,076,386	$744,306,288	$401,033,012
National Capital Housing Authority	2,996	2,208	39,678	43,140
National Capital Planning Commission	45,657	37,434	761,828	1,337,155
National Capital Transportation Agency	26,457	....	135,313	....
National Labor Relations Board	1,380,723	1,275,362	17,964,266	14,649,858
National Mediation Board	149,786	152,666	1,497,749	1,376,608
National Science Foundation:				
Research and development of rubber program (net)	....	....	....	-1,598
Other	13,675,704	14,409,023	143,307,152	120,320,717
Outdoor Recreation Resources Review Commission	93,194	45,862	1,127,639	494,906
Railroad Retirement Board--payment to railroad unemployment insurance account	5,000,000	....	13,000,000	....
Renegotiation Board	221,657	213,464	2,894,756	2,769,376
Saint Lawrence Seaway Development Corporation (net)	470,832	473,485	2,477,496	6,122,169
Securities and Exchange Commission	777,031	692,743	9,331,158	8,126,375
Selective Service System	3,142,271	2,442,568	32,841,117	28,577,309
Small Business Administration:				
Public enterprise funds (net)	11,300,279	7,735,916	82,610,849	54,593,020
Salaries and expenses	1,887,002	1,456,294	6,038,721	3,767,947
Grants for research and management counseling	134,190	795,656	879,994	2,027,761
Total--Small Business Administration	13,321,472	9,987,866	89,529,565	60,388,728
Smithsonian Institution	2,496,845	1,312,345	21,243,064	12,598,759
Subversive Activities Control Board	25,703	20,435	299,411	284,258
Tariff Commission	221,325	175,713	2,541,255	2,088,074
Tax Court of the United States	133,486	127,605	1,627,115	1,472,092
Tennessee Valley Authority (net)	6,260,334	4,784,278	38,677,415	11,847,650
United States Information Agency:				
Informational media guarantee fund (net)	334,441	181,458	4,486,758	2,187,475
Special international program[17]	650,732	1,043,717	7,116,851	7,436,092
Other	9,177,575	10,060,562	107,295,597	103,679,096
United States Study Commissions [21]	190,528	149,528	2,634,870	1,144,534
Veterans Administration:				
Compensation, pensions, and benefit programs	353,751,423	337,307,324	4,074,239,377	3,934,260,703
Public enterprise funds (net)	665,587	40,606,401	131,390,181	187,448,251
Other	95,340,987	89,047,175	1,195,776,218	1,127,864,928
Total--Veterans Administration	449,757,997	466,960,901	5,401,405,776	5,249,573,882
Total--Independent Offices[14] [17]	908,268,548	876,909,245	10,278,031,440	9,013,089,068
General Services Administration:				
Real property activities:				
Construction, public buildings projects	6,874,436	8,198,360	68,983,529	54,000,306
Repair and improvement of public buildings	3,685,728	10,332,009	49,284,183	71,644,763
Intragovernmental funds (net)	18,158,086	14,257,172	3,267,657	-11,819,330
Other	5,547,212	14,064,051	189,126,976	190,882,566
Personal property activities:				
Intragovernmental funds (net)	6,778,769	14,849,080	-4,398,811	19,078,659
Other	1,936,793	1,458,563	31,134,361	26,679,864
Records activities	972,070	636,340	13,806,652	9,274,409
Transportation and utilities activities	162,561	150,152	2,493,231	1,959,222
Defense materials activities:				
Public enterprise funds (net)	220	-4,102	-653,189	-1,781,136
Intragovernmental funds (net)	-2,497	49,165	75,026	-150,402
Strategic and critical materials	2,545,419	2,745,026	35,217,203	49,756,375
General activities:				
Public enterprise funds (net)	-502	37,326	-1,864,417	-1,677,300
Intragovernmental funds (net)	1,526,568	1,155,929	-305,369	-283,821
Other	46,203	29,569	847,952	429,280
Total--General Services Administration	48,231,068	67,958,645	387,014,988	407,993,455
Housing and Home Finance Agency:				
Office of the Administrator:				
Public enterprise funds (net):				
College housing loans	26,206,066	19,102,101	198,175,318	201,314,302
Liquidating programs	-268,252	-7,803,756	-87,622,468	-77,629,098
Urban renewal fund	13,998,639	17,720,063	144,500,893	105,074,161
Other	1,214,320	1,784,637	9,991,722	11,945,720
Other	1,218,332	980,591	13,860,478	11,505,621
Total--Office of the Administrator	42,369,106	31,783,637	278,905,945	252,210,707
Federal National Mortgage Association (net):				
Subscription to capital stock, secondary market operations	....	....	16,000,000	....
Loans for secondary market operations	-9,610,000	-96,569,589	....	-41,531,035
Management and liquidating functions fund	-15,029,805	-57,427,047	-79,991,914	-437,219,728
Special assistance functions fund	-1,335,999	-370,106	135,488,677	448,992,156
Total--Federal National Mortgage Association	-25,975,805	-154,366,744	71,496,763	-29,758,606
Federal Housing Administration (net)	4,191,170	-9,479,589	-7,124,476	-53,311,653
Public Housing Administration (net)	10,424,477	14,875,088	154,987,448	139,925,249
Total--Housing and Home Finance Agency	31,008,948	-117,187,607	498,265,681	309,065,696

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Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Agriculture Department:				
Agricultural Research Service:				
Intragovernmental funds (net)	-$5,449	-$38,272	$81,111	-$55,300
Other	13,061,645	11,719,472	185,432,000	172,443,778
Extension Service	767,706	699,691	67,340,666	63,720,768
Farmer Cooperative Service	76,292	76,419	636,823	575,912
Soil Conservation Service:				
Conservation operations	6,241,247	6,195,829	86,887,158	79,307,606
Flood prevention, watershed protection, and other	4,169,472	4,462,434	50,133,999	43,886,340
Great Plains conservation program	946,206	920,374	8,635,425	7,870,937
Statistical Reporting Service (net)	48,758	....	-6,607	....
Agricultural Conservation Program Service:				
Agricultural conservation program	8,305,548	14,547,369	250,060,770	236,068,908
Emergency conservation program	40,417	20,663	549,200	896,656
Agricultural Marketing Service:				
Marketing research and service	1,990,035	20,361	45,806,443	38,352,980
Payments to States and possessions	12,798	10,647	1,195,000	1,195,000
School lunch program	613,498	268,501	154,325,237	152,832,151
Removal of surplus agricultural commodities	[22] 32,819,538	7,265,525	[22] 203,258,998	89,663,354
Intragovernmental funds (net)	11,744	69,072	55,699	19,061
Other	54,778	58,981	791,951	-709,685
Total-Agricultural Marketing Service	35,502,394	7,693,090	405,433,329	282,772,233
Foreign Agricultural Service	1,697,371	478,055	13,165,946	6,298,671
Commodity Exchange Authority	77,321	65,757	964,436	879,246
Commodity Stabilization Service:				
Acreage allotments and marketing quotas	65,189	10,420	43,597,419	40,485,766
Soil bank program	2,842,623	8,765,452	365,864,559	323,657,828
Sugar act program	747,365	1,836,198	72,220,216	73,961,603
Intragovernmental funds (net)	10,520,827	-721,400	-7,063,790	-516,755
Commodity Credit Corporation:				
Public enterprise funds (net):				
Price support, supply, and related programs and special milk[23]	471,076,815	-71,818,138	1,672,301,735	1,561,390,628
Special activities financed by Commodity Credit Corporation[24]	171,234,815	458,917,793	1,760,130,670	1,685,868,247
Total--Commodity Credit Corporation	642,311,631	387,099,655	3,432,432,405	3,247,258,876
Federal Crop Insurance Corporation:				
Administrative expenses	516,953	-82,846	7,276,163	6,364,422
Federal Crop Insurance Corporation fund (net)	-1,865,208	-985,462	-7,443,904	-2,363,144
Rural Electrification Administration:				
Loans	22,076,143	27,029,171	291,477,644	321,004,910
Salaries and expenses	788,675	751,700	9,901,243	9,416,737
Farmers Home Administration:				
Loans	11,707,861	9,922,997	324,850,275	272,388,172
Public enterprise funds (net):				
Disaster loans etc., revolving fund	37,209	-625,628	1,473,867	-17,785,166
Farm tenant-mortgage insurance fund	2,857,706	1,758,721	-6,143,952	6,814,645
Salaries and expenses	1,722,971	1,477,115	32,641,786	30,560,514
Total--Farmers' Home Administration	16,325,748	12,533,206	352,821,977	291,978,166
Office of the General Counsel	281,558	251,138	3,409,299	3,125,687
Office of the Secretary:				
Intragovernmental funds (net)	-62,473	21,887	76,905	-99,251
Other	241,570	216,818	3,028,821	2,802,482
Office of Information	91,545	105,398	1,574,353	1,374,854
Library	85,844	63,779	946,116	884,159
Forest Service:				
Acquisition of lands, Klamath Indians	....	....	68,716,691	....
Intragovernmental funds (net)	-379,772	340,881	-17,475	-498,121
Other	14,916,955	12,884,531	245,936,764	205,391,000
Total--Agriculture Department	780,434,110	496,961,416	5,954,069,674	5,418,894,982
Commerce Department:				
General administration:				
Public enterprise funds (net)	-700	....	-7,447	-843
Other	563,588	184,985	6,342,636	2,743,443
Bureau of the Census	2,011,977	14,165,285	33,778,015	99,958,807
Coast and Geodetic Survey	1,346,960	715,617	18,059,345	15,878,717
Business and Defense Services Administration	212,911	645,655	4,600,280	5,973,379
Bureau of Foreign Commerce	435,958	295,814	5,928,871	5,144,285
Office of Business Economics	118,915	117,963	1,482,949	1,344,791
Maritime activities:				
Public enterprise funds (net)	-260,384	-33,137	-2,191,344	-1,565,165
Other	12,739,369	19,228,507	283,997,361	271,756,331
Inland Waterways Corporation (net)	....	-873,383	-393	-874,892
Patent Office	1,622,480	1,638,932	23,136,821	20,982,785
Bureau of Public Roads:				
Advances to highway trust fund (net)	....	....	....	....
Other[25]	4,485,965	5,358,877	45,426,320	47,004,737
National Bureau of Standards:				
Intragovernmental funds (net)	599,430	593,028	-182,553	-677,531
Other	1,792,651	1,400,275	22,298,828	17,468,735
Weather Bureau	4,465,896	3,753,034	55,419,585	54,033,328
Total--Commerce Department	30,135,023	47,191,456	498,089,277	539,170,911

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Defense Department:				
Military functions:				
Military personnel:				
Office of Secretary of Defense	$66,115,788	$60,310,408	$782,936,511	$694,241,029
Department of the Army	393,261,658	286,057,138	4,021,448,887	3,866,452,542
Department of the Navy	289,315,279	295,887,828	3,249,365,370	3,225,867,807
Department of the Air Force	349,176,031	365,147,469	4,006,331,436	3,951,213,566
Total--Military personnel	1,097,868,757	1,007,402,844	12,060,082,206	11,737,774,946
Operation and maintenance:				
Office of Secretary of Defense	5,079,123	3,176,484	45,388,012	38,347,767
Department of the Army	312,088,768	297,985,922	3,416,988,194	3,249,602,224
Department of the Navy	282,883,563	270,384,358	2,868,746,108	2,761,522,713
Department of the Air Force	412,949,727	298,205,853	4,442,869,977	4,296,618,328
Subtotal	1,013,001,183	869,752,617	10,773,992,292	10,346,091,033
Classification adjustment [26]	-13,151,000	-6,941,000	-154,521,000	-122,702,000
Total--Operation and maintenance	999,850,183	862,811,617	10,619,471,292	10,223,389,033
Procurement:				
Office of Secretary of Defense	....	....	....	....
Department of the Army	117,902,863	38,407,744	1,525,738,550	1,604,885,716
Department of the Navy	443,243,175	[27] -394,886,505	4,724,786,873	3,819,888,236
Department of the Air Force	845,679,381	645,057,241	8,691,231,916	8,762,717,054
Subtotal	1,406,825,420	288,578,479	14,941,757,341	14,187,491,007
Classification adjustment [26]	-13,118,000	818,158,000	-213,818,000	124,743,000
Total--Procurement	1,393,707,420	1,106,736,479	14,727,939,341	14,312,234,007
Research, development, test and evaluation:				
Office of Secretary of Defense	22,796,739	26,734,661	195,498,269	313,673,971
Department of the Army	134,614,696	121,395,764	1,081,376,596	705,078,956
Department of the Navy	123,245,909	[27] -37,524,131	1,191,723,708	766,531,654
Department of the Air Force	156,449,709	105,474,182	1,659,446,137	1,089,294,950
Subtotal	437,107,056	216,080,477	4,128,044,712	2,874,579,532
Classification adjustment [26]	26,269,000	199,110,000	368,339,000	857,034,000
Total--Research, development, test and evaluation	463,376,056	415,190,477	4,496,383,712	3,731,613,532
Military construction:				
Office of Secretary of Defense	4,454,819	1,149,952	38,817,283	46,274,731
Department of the Army	30,839,526	29,545,121	275,404,954	280,494,245
Department of the Navy	28,415,825	35,249,080	275,818,424	287,207,099
Department of the Air Force	78,741,909	93,809,253	1,013,866,259	1,011,657,232
Total--Military construction	142,452,081	159,753,408	1,603,906,920	1,625,633,309
Revolving and management funds (net):				
Public enterprise funds:				
Office of Secretary of Defense	4,715,023	2,633,737	38,677,921	22,796,186
Department of the Army	-9,854	5,545	-24,586	-137,249
Department of the Navy	71,263	39,208	-134,158	-279,775
Intragovernmental funds:				
Department of the Army	-36,012,357	-87,274,272	-191,429,414	-314,672,425
Department of the Navy	-28,046,725	[28] 1,042,686,325	-105,869,192	780,812,452
Department of the Air Force	9,756,417	-1,803,650	-37,591,162	-45,307,309
Subtotal	-49,526,232	956,286,893	-296,370,592	443,211,878
Classification adjustment [26]	....	-1,010,327,000	....	-859,075,000
Total--Revolving and management funds	-49,526,232	-54,040,106	-296,370,592	-415,863,121
Total--Military functions	4,047,728,266	3,497,854,721	43,211,412,881	41,214,781,708
Military assistance:				
Office of Secretary of Defense:				
Repayment of credit sales [29]	-1,583,848	-2,375,585	-17,133,287	-25,969,352
Other	12,321,942	11,788,585	139,796,809	117,369,276
Department of the Army	132,721,947	125,768,114	637,954,461	753,422,320
Department of the Navy	33,082,273	18,658,565	168,053,369	219,243,841
Department of the Air Force	117,370,777	84,054,478	501,019,139	532,893,842
International Cooperation Administration	211,617	675,941	3,427,748	5,726,512
All other agencies	305,081	795,104	6,460,820	6,705,948
Total--Military assistance	294,429,790	239,365,205	1,439,579,061	1,609,392,389
Total--Military	4,342,158,057	3,737,219,926	44,650,991,943	42,824,174,097

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Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Defense Department--Continued				
Civil functions:				
Army:				
Corps of Engineers:				
Rivers and harbors and flood control	$111,366,310	$125,521,162	$931,574,066	$866,572,438
Intragovernmental funds (net)	-781,749	-789,783	-5,468,094	583,598
The Panama Canal:				
Canal Zone Government	1,938,496	2,067,971	22,627,447	21,796,500
Panama Canal Company:				
Public enterprise funds (net)	3,201,034	1,287,625	6,300,282	-2,174,689
Panama Canal Bridge	318,496	487,683	1,871,224	2,673,882
Total--The Panama Canal	5,458,028	3,843,280	30,798,955	22,295,693
Defense production guarantees (net)	-3,767	-10,494	-215,372	58,049
Payment of Texas City claims	41,461	172,546	201,263	607,036
Other	1,252,315	1,246,384	15,157,177	12,172,573
Navy-defense production guarantees (net)	-27,962	-71,854	-479,785	936,513
Air Force:				
Defense production guarantees (net)	-118,602	-125,750	-544,384	-973,289
Other	1,930	2,762	29,580	23,765
Total--Civil functions	117,187,964	129,788,254	971,053,406	902,276,379
Total--Defense Department	4,459,346,021	3,867,008,181	45,622,045,349	43,726,450,476
Health, Education, and Welfare Department:				
Food and Drug Administration	1,615,449	1,357,017	18,737,408	13,686,689
Freedmen's Hospital	152,467	223,809	3,415,984	3,108,452
Office of Education:				
Assistance for school construction	7,463,319	9,086,646	71,041,730	83,347,944
Defense educational activities	11,003,024	10,039,567	143,132,613	128,770,827
Payments to school districts	31,622,966	24,044,962	207,748,415	174,850,424
Other	1,391,937	1,070,588	68,841,947	63,173,582
Office of Vocational Rehabilitation	2,333,888	1,382,654	70,479,343	61,303,165
Public Health Service:				
Hospital construction activities	12,582,467	13,438,308	158,174,891	144,607,088
National Institutes of Health	51,533,674	27,963,538	420,430,654	348,960,103
Operation of commissaries, narcotic hospitals (net)	-9,206	-4,104	-8,585	-8,343
Other	25,904,633	22,343,594	277,670,824	250,152,465
Total--Public Health Service	90,011,569	63,741,337	856,267,784	743,711,314
Saint Elizabeths Hospital	831,530	380,043	5,234,630	4,197,042
Social Security Administration:				
Grants to States for public assistance	189,168,280	165,098,600	2,166,986,232	2,058,896,283
Grants for maternal and child welfare	317,018	438,908	51,521,846	47,432,645
Operating fund, Bureau of Federal Credit Unions (net)	28,787	8,749	-139,072	-170,629
Other	668,818	438,853	5,810,451	4,974,983
Special institutions:				
American Printing House for the Blind	....	....	400,000	400,000
Gallaudet College	130,001	57,443	1,678,385	2,074,371
Howard University	573,754	496,294	6,294,253	6,421,356
Office of the Secretary:				
Intragovernmental funds (net)	-16,023	-19,365	34,045	-70,348
Other	730,786	671,751	7,200,379	7,064,655
Total--Health, Education, and Welfare Dept.	338,027,578	278,517,862	3,684,686,380	3,403,172,759
Interior Department:				
Departmental offices	616,807	449,554	7,637,684	5,351,396
Commission of Fine Arts	5,514	4,074	60,687	41,555
Bonneville Power Administration	2,985,269	2,558,692	36,632,048	27,193,979
Southeastern Power Administration	22,197	19,925	423,294	338,224
Southwestern Power Administration	497,149	485,936	5,715,426	6,201,076
Bureau of Land Management	3,714,636	3,112,790	91,707,086	84,837,922
Bureau of Indian Affairs:				
Public enterprise funds (net):				
Revolving fund for loans	148,915	-1,109,098	262,730	856,193
Other	-260	-815	689	6,944
Other	10,418,349	9,834,971	131,009,665	121,100,678
Bureau of Reclamation:				
Public enterprise funds (net):				
Continuing fund for emergency expenses, Fort Peck project, Montana	79,162	46,856	-1,547,065	-1,780,775
Upper Colorado River Basin fund	7,386,767	2,374,694	57,090,561	32,032,395
Other	19,646,222	17,793,480	210,335,544	178,406,644
Total--Bureau of Reclamation	27,112,152	20,215,031	265,879,040	208,658,264

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Interior Department--Continued				
Geological Survey	$3,806,111	$3,231,921	$45,137,630	$41,709,84[illegible]
Bureau of Mines:				
Development and operation of helium properties (net).	419,486	39,026	941,022	90,63[illegible]
Other	2,733,843	2,359,045	31,879,559	34,012,62[illegible]
National Park Service	7,258,458	6,908,898	89,412,616	73,282,39[illegible]
Fish and Wildlife Service:				
Office of Commissioner of Fish and Wildlife	33,824	27,289	342,248	343,915
Bureau of Sport Fisheries and Wildlife	5,063,408	3,638,704	53,685,763	49,729,537
Bureau of Commercial Fisheries:				
Public enterprise funds (net)	225,758	302,874	1,106,886	625,691
Other	1,249,280	1,199,563	15,984,202	15,980,920
Office of Territories:				
Public enterprise funds (net)	-5,698	-12,552	-29,399	-76,610
Other	114,217	418,494	17,362,842	17,250,540
Virgin Island Corporation (net)	677,840	-125,585	3,483,750	167,648
Alaska Railroad (net)	42,941	-9,505	-84,668	-217,31[illegible]
Office of the Secretary	311,319	253,372	2,757,240	2,647,565
Total--Interior Department	67,451,523	53,802,609	801,308,049	690,133,64[illegible]
Justice Department:				
Legal activities and general administration	4,502,076	3,746,056	48,053,585	44,641,446
Federal Bureau of Investigation	9,797,142	8,986,695	125,051,332	112,607,290
Immigration and Naturalization Service	4,970,753	4,885,778	61,983,128	54,802,652
Federal Prison System:				
Federal Prison Industries, Inc. (net)	-546,696	-100,917	-2,817,761	-1,335,584
Other	4,102,883	3,708,073	51,905,883	47,248,343
Total--Justice Department	22,826,160	21,225,685	284,176,167	257,964,148
Labor Department:				
Office of the Secretary	43,383	30,928	1,937,671	1,563,483
Bureau of Labor-Management Reports	351,487	463,351	5,656,110	2,536,209
Office of the Solicitor	234,519	216,859	2,824,872	2,666,724
Bureau of Labor Standards	190,561	190,192	2,638,364	2,307,013
Bureau of Veterans' Reemployment Rights	43,275	58,353	638,710	577,393
Bureau of Apprenticeship and Training	329,818	323,784	4,309,574	3,949,270
Bureau of Employment Security:				
Grants to States for unemployment compensation and employment service administration [30]	....	22,698,440	2,163,945	324,739,667
Advances to employment security administration account, unemployment trust fund (net)	40,589,611	....	[31] 48,589,611	....
Payment to Federal extended compensation account	268,138,622	....	498,138,622	....
Unemployment compensation for Federal employees and ex-servicemen	15,519,114	15,001,132	171,042,688	131,704,456
Farm labor supply fund (net)	101,855	8,951	-751,655	-2,067,280
Temporary unemployment compensation	-78,682	-413	-399,238	-13,197,892
Other	200,017	704,159	[32] 3,123,964	9,331,939
Total--Bureau of Employment Security	324,470,538	38,412,269	721,907,939	450,510,890
Bureau of Employees' Compensation	5,691,485	5,218,338	65,585,374	62,956,231
Bureau of Labor Statistics	881,330	858,265	12,314,692	10,306,876
Women's Bureau	43,825	49,689	541,079	497,178
Wage and Hour Division	883,786	921,870	12,229,991	11,355,694
Total--Labor Department	333,164,012	46,743,903	830,584,380	549,226,965
Post Office Department:				
Payment for public services	4,698,000	2,900,000	49,000,000	37,400,000
Public enterprise fund (net)--Postal fund	130,050,751	-4,566,827	[6] 880,461,813	487,616,369
Total--Post Office Department	134,748,751	-1,666,827	929,461,813	525,016,369
State Department:				
Administration of foreign affairs:				
Salaries and expenses	15,466,141	12,328,061	[33] 122,011,403	114,595,831
Acquisition, operation and maintenance of buildings abroad	1,183,965	2,536,570	14,829,441	20,868,415
Payment to Foreign Service retirement and disability fund	....	....	2,540,000	2,360,000
Intragovernmental funds (net)	254,224	253,802	91,769	-79,041
Other	509,136	928,248	7,512,863	16,767,029
Total--Administration of foreign affairs	17,413,468	16,046,683	146,985,478	154,512,235
International organizations and conferences:				
Contributions to international organizations	1,075	532,343	48,273,093	54,644,001
Other	619,710	382,387	4,334,863	3,786,674
International commissions	573,600	495,014	6,914,444	6,563,886
Educational exchange	1,761,036	2,556,015	36,927,866	23,474,905
Other	202,198	224,487	9,086,323	3,643,923
Total--State Department	20,571,087	20,236,932	252,522,070	246,625,626

See footnotes on pages 9 and 19

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Treasury Department:				
Office of the Secretary:				
Subscription to International Development Association	....	....	$73,666,700	....
Investment in Inter-American Development Bank ...	....	$79,550,000	....	$80,000,000
Public enterprise funds (net):				
Reconstruction Finance Corporation liquidation fund	-$331,930	-46,155	-3,951,550	-14,267,391
Civil defense program fund	-11,087	-9,072	-137,474	-145,340
Intragovernmental funds (net)	....	....	1,273	7,988
Other	287,317	229,856	3,555,412	3,314,256
Bureau of Accounts:				
Interest on uninvested funds	118,802	101,188	10,068,147	9,791,610
Payment to Unemployment trust fund	....	2,553,205	[34] 1,216,262	2,553,205
Claims, judgments and relief acts	1,024,924	314,521	28,998,047	11,306,365
Government losses in shipment fund (net)	43,749	644	86,093	35,955
Salaries and expenses	1,358,536	4,176,560	24,115,069	28,022,040
Other	385	....	665	....
Bureau of the Public Debt	2,825,356	5,942,622	47,259,838	47,798,151
Office of the Treasurer:				
Check forgery insurance fund (net)	4,791	1,954	10,849	-2,670
Other	2,120,827	2,136,704	16,744,416	17,218,934
Bureau of Customs:				
Intragovernmental funds (net)	407,221	333,527	....	....
Other	4,363,847	4,150,214	58,882,227	53,849,830
Internal Revenue Service:				
Interest on refunds of taxes	6,711,015	5,592,010	82,746,794	76,437,867
Payments to Puerto Rico for taxes collected	2,891,152	2,315,689	24,998,475	22,934,141
Salaries and expenses	33,165,401	28,816,290	408,083,748	360,147,442
Bureau of Narcotics	324,336	318,715	4,275,893	4,017,961
United States Secret Service	488,642	487,607	6,262,501	5,641,413
Bureau of the Mint	482,417	467,123	5,798,537	5,415,340
Bureau of Engraving and Printing:				
Intragovernmental funds (net)	-473,246	-1,550,789	568,752	-662,589
Other	72,300	....	123,731	....
Coast Guard:				
Intragovernmental funds (net)	555,574	-140,452	-2,025,086	-2,086,863
Other	29,260,952	28,116,272	277,902,046	240,218,022
Interest on the public debt:				
Public issues[35]	642,869,385	689,331,876	7,712,098,476	7,986,493,352
Special issues[35]	120,460,877	111,912,890	1,250,107,996	1,193,095,505
Total--Interest on the public debt	763,330,262	801,244,766	8,962,206,472	9,179,588,857
Total--Treasury Department	849,021,551	965,103,003	10,031,457,846	10,131,134,530
District of Columbia:				
Federal payment to District of Columbia	....	....	30,233,000	27,218,000
Advances for general expenses (repayable)	8,000,000	....	8,000,000	....
Loans to District of Columbia for capital outlay	2,450,000	....	12,200,000	900,000
Unclassified expenditure transfers[7]	331,920	328,370	-197,342	....
Subtotal expenditures	8,188,387,357	6,789,263,467	82,151,996,090	77,233,385,451
Deduct: Interest and other payments by Government agencies to Treasury included above and also included in budget receipts[1]	240,293,665	268,672,105	649,335,035	693,972,652
Budget expenditures	7,948,093,692	6,520,591,362	81,502,661,054	76,539,412,798
Budget surplus (+) or deficit (-)	+2,800,896,668	+4,369,933,761	-3,924,969,183	+1,224,047,421

FOOTNOTES

*Based on budget messages of the President dated March 24 and March 28, 1961 and the Statement of the Director of the Bureau of the Budget before the Joint Economic Committee on March 27, 1961.

[1] Beginning with the Monthly Statement for July 1960, and incorporated in the final statement for the fiscal year 1960 (released December 6, 1960), totals shown for net budget receipts and budget expenditures exclude certain interfund transactions which are included in the detail of both budget receipts and budget expenditures. The transactions deducted consist mainly of interest payments to the Treasury by Government corporations and agencies that borrow from the Treasury (see Table IX page 15, for details). This reporting change does not affect the budget surplus or deficit. The interfund transactions deducted under this procedure do not include payments to the Treasury by wholly-owned Government corporations for retirement of their capital stock and for disposition of earnings. These capital transfers have been excluded from budget receipts and expenditures since July 1, 1948.

[2] The President's budget messages of March 24 and March 28, 1961 did not include estimates for balance in account of Treasurer, U. S. and public debt outstanding.

[3] Figures have been revised to exclude certain interfund transactions. See footnote 1.

[4] For details of deductions from receipts see Table III, page 2 and for details of deductions from expenditures see Table X, page 16.

[5] For details see Table III.

[6] Transactions cover the period July 1, 1960, through June 30, 1961, and are partially estimated.

[7] Represents expenditure adjustments reported by Regional Disbursing Officers which have not yet been picked up in reports of other officers.

[a] Includes debt not subject to statutory limitation, which on June 30, 1961 amounted to $349,291,529. Statutory debt limit was established at $285 billion by the act approved June 30, 1959. The limit, including temporary increases, was $290 billion on June 30, 1959 and $295 billion from July 1, 1959 to June 30, 1960, and $293 billion from July 1, 1960, to June 30, 1961. From July 1, 1961, to June 30, 1962, the limit, including a temporary increase of $13 billion, will be $298 billion. Thereafter, it will revert to $285 billion.

Footnotes continued on page 14

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
RECEIPTS				
Legislative Branch:				
Payments from general fund	$89,262	$89,262	$179,324	$179,156
Other	143,397	81,650	1,452,277	1,014,700
The Judiciary:				
Judicial survivors annuity fund:				
Contributions	81,762	42,005	502,559	503,363
Interest on investments	4,652	2,255	48,604	38,307
Funds appropriated to the President	16,709,877	49,299,981	216,992,103	197,879,569
Independent Offices:				
Civil Service Commission:				
Civil service retirement and disability fund:				
Deductions from employees' salaries, etc.	86,340,784	64,116,263	843,763,699	749,513,523
Payments from other funds:				
Employing agency contributions	86,348,925	64,127,077	843,859,004	749,498,995
Federal contribution	...	...	46,329,000	...
Voluntary contributions, donations, etc.	1,082,812	989,565	11,881,679	10,682,199
Interest and profits on investments	242,314,882	218,824,234	280,175,819	250,679,287
Total--Civil Service Commission	416,087,405	348,057,140	2,026,009,203	1,760,374,005
Railroad Retirement Board:				
Railroad retirement account:				
Transfers (Railroad Act taxes):				
Appropriated	53,597,771	53,973,642	570,165,005	609,619,201
Unappropriated	-9,153,033	-3,544,398	465,944	-2,754,544
Fines and penalties	...	...	250	100
Interest and profit on investments	85,346,597	86,843,770	110,920,670	109,954,714
Interest on advances to railroad unemployment insurance account	551,126	416,079	1,020,481	899,891
Repayment of advances to railroad unemployment insurance account	12,165,000	22,481,000	31,205,000	85,231,000
Payment from Federal old-age and survivors and Federal disability insurance trust funds	336,882,000	318,389,000	336,882,000	600,437,000
Total--Railroad Retirement Board	479,389,462	478,559,093	1,050,659,353	1,403,387,362
Veterans Administration:				
Government life insurance fund:				
Premiums and other receipts	1,814,157	1,252,375	20,599,986	21,845,515
Interest on investments	36,764,688	15,784,771	37,829,919	38,897,753
National service life insurance fund:				
Premiums and other receipts	43,910,436	36,927,980	485,527,359	459,882,846
Payments from general and special funds	728,611	838,439	8,190,375	10,298,078
Interest on investments	172,058,061	71,054,831	175,394,965	172,406,829
Other	172,611	186,117	1,714,863	1,697,136
Other Independent Offices	250,971	-1,900	454,615	605,844
General Services Administration	157,500	120,055	833,065	178,020
Agriculture Department:				
Food stamps issued:				
Payments from general fund	384,207	...	384,207	...
Receipts from sales	427,390	...	427,390	...
Other	3,588,527	4,416,419	40,445,317	41,848,814
Commerce Department:				
Highway trust fund:				
Transfers (Highway Revenue Act of 1956)	238,400,000	238,100,000	2,923,240,921	2,642,499,118
Advances from general fund	...	...	60,000,000	359,000,000
Less return of advances to the general fund	...	...	-60,000,000	-359,000,000
Interest on investments	1,865,258	518,976	2,017,718	1,854,801
Total--Highway trust fund	240,265,258	238,618,976	2,925,258,640	2,644,353,919
Other	666,706	3,703,145	28,482,239	76,872,109
Defense Department:				
Military functions	1,021,055	1,519,200	3,840,367	7,056,728
Civil functions:				
Payments from general fund	...	...	2,740,336	2,762,798
Other	3,619,133	2,664,174	19,923,042	19,237,827
Health, Education and Welfare Department	7,878	16,672	544,361	130,327
Interior Department:				
Indian tribal funds	3,034,172	4,552,991	113,993,899	61,472,284
Payments from general fund	19,199	34,053	22,636,661	11,075,213
Other	647,667	1,149,119	11,882,660	9,830,115
Labor Department:				
Transfer from unemployment trust fund	+506	-1,419	+506	-1,419
Other	496	1,077	85,085	68,914
State Department:				
Foreign Service retirement and disability fund:				
Deductions from salaries and other receipts	389,660	216,361	3,478,698	2,520,574
Payments from general fund	...	...	2,540,000	2,360,000
Interest on investments	1,158,394	1,070,163	1,247,307	1,134,061
Other	7,485	75,276	291,043	385,590
Treasury Department:				
Federal disability insurance trust fund:				
Transfers from general fund receipts	101,805,747	89,289,919	962,812,407	938,681,781
Deposits by States	4,548,009	392,837	68,680,977	58,146,727
Payments from railroad retirement account	...	4,851,000	...	26,831,000
Interest and profits on investments	29,341,066	22,306,311	61,486,814	47,634,535
Total--Federal disability insurance trust fund	135,694,823	116,840,067	1,092,980,199	1,071,294,044
Federal old-age and survivors insurance trust fund:				
Transfers from general fund receipts	1,025,183,984	1,014,348,746	10,623,470,761	9,271,868,378
Deposits by States	42,554,791	1,189,514	755,447,319	650,256,737
Interest and profits on investments	205,713,881	204,384,513	530,226,255	516,406,240
Other	5,586	17,576	998,976	871,867
Total--Federal old-age and survivors insurance trust fund	1,273,458,244	1,219,940,352	11,910,143,313	10,439,403,223

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
RECEIPTS--Continued				
Treasury Department--Continued				
Unemployment trust fund:				
Employment security administration account:				
Transfers (Federal unemployment taxes):				
Appropriated	$975,000	...	$345,979,586	...
Unappropriated	124,127	...	593,078	...
Advances from general (revolving) fund	43,500,000	...	301,500,000	...
Less return of advances to the general fund	...	...	-250,000,000	...
State accounts - deposits by States	47,775,703	$33,774,493	2,396,685,409	$2,166,956,483
Federal unemployment account-payments from general fund	...	2,553,205	...	2,553,205
Less transfer of receipts to Labor	-506	+1,419	-506	+1,419
Railroad unemployment insurance account:				
Deposits by Railroad Retirement Board	30,604,791	31,106,961	152,703,508	152,997,833
Advances from railroad retirement account	...	...	132,345,000	183,730,000
Transfer of receipts from railroad unemployment insurance administration fund	1,723,252	1,752,489	8,598,960	8,914,368
Advances from general fund	5,000,000	...	13,000,000	...
Federal extended compensation account:				
Advances from general fund	268,138,622	...	498,138,622	...
Interest and profits on investments	73,036,994	76,087,321	204,490,889	188,141,338
Total--Unemployment trust fund	470,877,983	145,275,890	3,804,034,547	2,703,294,649
Other	1,686,889	1,308,371	15,737,763	22,466,267
District of Columbia:				
Revenues from taxes, etc.	10,680,064	11,868,103	205,010,733	201,588,267
Payments from general fund:				
Federal contribution	...	...	30,233,000	27,218,000
Advances for general expenses	8,000,000	...	8,000,000	...
Loans for capital outlay	2,450,000	...	12,200,000	900,000
Other loans and grants	757,123	8,309,304	23,981,429	25,924,176
Total trust fund receipts	3,327,205,729	2,763,872,363	24,306,911,329	21,442,384,981
Increment from reduction in weight of gold dollar	6	336	914	4,054
Subtotal receipts	3,327,205,736	2,763,872,700	24,306,912,244	21,442,389,035
Deduct: Certain trust receipts which are also trust expenditures[36]	351,859,743	346,995,647	514,738,367	908,101,588
Net receipts	2,975,345,992	2,416,877,052	23,792,173,876	20,534,287,446
EXPENDITURES				
Legislative Branch	126,152	81,988	1,332,668	1,224,100
The Judiciary--Judicial survivors annuity fund	30,834	27,704	347,110	352,873
Funds appropriated to the President	28,138,745	108,266,244	191,631,087	248,826,429
Independent Offices:				
Civil Service Commission:				
Civil service retirement and disability fund	82,755,836	79,042,590	951,038,343	892,728,405
Employees health benefits fund (net)	-7,957,022	...	-23,263,233	...
Employees life insurance fund (net)	-5,551,430	2,938,785	-50,904,686	-44,045,191
Retired employees health benefits fund (net)	2,083	...	-1,622,916	...
Total--Civil Service Commission	69,249,466	81,981,376	875,247,507	848,683,214
National Capital Housing Authority (net)	-263,906	294,818	321,968	2,580,122
Railroad Retirement Board:				
Railroad retirement account:				
Administrative expenses	1,115,004	861,879	9,766,698	9,017,767
Benefit payments, etc.	83,604,991	80,512,108	981,839,329	916,387,088
Payment to Federal old-age and survivors and disability insurance trust funds	...	4,851,000	...	26,831,000
Advances to railroad unemployment insurance account	...	...	132,345,000	183,730,000
Total--Railroad Retirement Board	84,719,996	86,224,987	1,123,951,027	1,135,965,855
Veterans Administration:				
Government life insurance fund-Benefits, refunds and dividends	14,498,776	6,831,066	94,495,277	83,247,544
National service life insurance fund-Benefits, refunds and dividends	71,804,935	49,430,415	709,310,388	581,575,034
Other	168,020	214,704	1,817,188	2,087,409
Other Independent Offices:				
Trust enterprise funds (net)	-12	1,837	7,916	-9,588
Other	7,011	25,784	480,900	950,797
General Services Administration:				
Trust enterprise funds (net)	-9,394	-11,155	-48,769	-38,626
Other	187,550	45,418	773,226	113,434
Housing and Home Finance Agency:				
Federal National Mortgage Association:				
Loans for secondary market operations (net)[37]	9,610,000	96,569,589	-16,000,000	41,531,035
Other (net)	215,378	40,588,213	-68,772,422	946,471,695
Agriculture Department:				
Food stamps redeemed	642,648	...	642,648	...
Trust enterprise funds (net)	-264,500	1,169,963	-1,289,556	2,261,326
Other	3,653,854	3,376,472	40,670,826	36,710,031
Commerce Department:				
Highway trust fund:				
Federal-Aid Highway Act of 1956	239,102,406	249,855,501	2,619,783,301	2,940,251,130
Interest payment on advances from general fund	...	...	543,457	5,066,704
Refunds of taxes	...	...	125,703,141	103,472,542
Total--Highway trust fund	239,102,406	249,855,501	2,746,029,900	3,048,790,377
Other	4,996,284	1,778,717	39,808,466	28,613,756

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
EXPENDITURES--Continued				
Defense Department:				
Military functions	$287,180	$507,172	$4,685,495	$8,132,756
Civil functions:				
Trust enterprise funds (net)	-504	2,192	7,773	-7,658
Other	2,360,286	2,917,263	17,856,036	18,450,110
Health, Education and Welfare Department	27,430	18,794	308,427	166,974
Interior Department:				
Indian tribal funds	7,023,787	9,022,716	137,430,242	74,189,348
Other	1,227,742	948,737	12,069,836	10,155,690
Justice Department (net):				
Alien property activities	956,625	1,440,369	2,826,638	4,620,352
Federal Prison System commissary funds	3,804	-14,242	7,635	25,824
Labor Department:				
Bureau of Employment Security	...	...	506	-8
Other	29,042	21,616	166,848	111,322
State Department:				
Foreign Service retirement and disability fund	412,860	291,524	4,253,250	3,331,374
Other	27,144	17,343	440,003	398,525
Treasury Department:				
Federal disability insurance trust fund:				
Administrative expenses--reimbursement to Federal old-age and survivors insurance trust fund	...	...	34,052,915	29,505,953
Payments to general fund:				
Administrative expenses	270,684	248,409	3,122,289	3,140,241
Refunds of taxes	...	...	9,500,000	9,750,000
Benefit payments	73,680,021	45,570,886	703,995,495	528,303,887
Payment to Railroad Retirement Board	5,148,000	...	5,148,000	...
Total--Federal disability insurance trust fund	79,098,706	45,819,296	755,818,700	570,700,082
Federal old-age and survivors insurance trust fund:				
Administrative expenses-Bureau of Old-Age and Survivors Insurance	22,176,283	15,838,896	223,653,749	179,348,203
Reimbursement of administrative expenses from Federal disability insurance trust fund	...	...	-33,176,322	-28,781,908
Payments to general fund:				
Administrative expenses	3,449,327	3,223,876	43,760,039	39,425,017
Refunds of overpayment of payroll tax receipts	...	...	86,240,000	79,440,000
Payment to Railroad Retirement Board	331,734,000	318,389,000	331,734,000	600,437,000
Benefit payments	985,828,891	899,623,698	11,184,531,292	10,269,708,576
Construction	316,064	102,794	1,779,643	12,525,583
Total--Federal old-age and survivors insurance trust fund	1,343,504,566	1,237,178,265	11,838,522,401	11,152,102,473
Unemployment trust fund:				
Employment Security administration account:				
Salaries and expenses, Bureau of Employment Security	739,075	...	7,738,718	...
Grants to States for unemployment compensation and employment service administration	38,544,427	...	374,975,294	...
Payments to general fund:				
Reimbursements for administrative expenses	129,867	...	5,100,863	...
Refunds of taxes	329,758	...	2,245,089	...
Payment of interest on advances from general (revolving) fund	2,910,388	...	2,910,388	...
Railroad unemployment insurance account:				
Administrative expenses	871,880	325,326	9,920,098	9,061,099
Benefit payments	16,555,566	10,905,566	251,710,635	274,962,614
Temporary extended railroad unemployment benefits	4,571,254	...	10,017,469	...
Repayment of advances to railroad retirement account	12,165,000	22,481,000	31,205,000	85,231,000
Payment of interest on advances from railroad retirement account	551,126	416,079	1,020,481	899,891
State accounts:				
Withdrawals by States	242,521,524	193,608,930	3,558,148,949	2,366,285,954
Reimbursement from Federal extended compensation account	...	...	...	...
Federal extended compensation account:				
Temporary extended unemployment compensation payments	264,969,774	...	481,151,560	...
Reimbursement to State accounts	...	...	...	...
Total--Unemployment trust fund	584,859,642	227,736,902	4,736,144,547	2,736,440,560
Other	1,395,674	1,146,501	16,724,782	47,815,132
District of Columbia	24,787,005	28,747,649	302,003,327	266,893,773
Deposit fund accounts (net):				
District of Columbia	138,745	86,429	-576,334	538,228
Government sponsored enterprises:				
Investments in public debt securities, net investment (+) or sales (-)	-99,000,000	-19,925,500	+434,689,800	+238,803,500
Sales and redemptions of obligations in market, net sales (-) or redemptions (+)	-218,654,200	-171,247,600	-195,758,200	-722,992,300
Other	305,949,677	179,272,529	-232,512,286	478,913,408
Indian tribal funds	-2,678,779	2,857,591	1,435,623	1,825,587
Other	113,882,904	16,828,206	119,791,715	-99,218,907
Total trust and deposit fund expenditures	2,672,253,594	2,290,427,412	23,697,094,136	21,801,332,976
Payment of melting losses on gold	...	35	17	35
Subtotal expenditures	2,672,253,594	2,290,427,447	23,697,094,154	21,801,333,011
Deduct: Certain trust expenditures which are also trust receipts[36]	351,859,743	346,995,647	514,738,367	908,101,588
Net expenditures	2,320,393,850	1,943,431,799	23,182,355,786	20,893,231,422
Excess of trust and other receipts (+) or expenditures (-)	+654,952,142	+473,445,253	+609,818,090	-358,943,975

See footnotes on page 19

TABLE V--INVESTMENTS OF GOVERNMENT AGENCIES IN PUBLIC DEBT SECURITIES (NET)

(Including certain guaranteed securities)

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
Trust accounts, etc:				
Federal disability insurance trust fund	$48,155,719	$111,370,374	$284,712,842	$493,988,457
Employees health benefits fund	921,000	....	12,324,000	....
Employees life insurance fund	....	-36,170	47,002,000	47,716,329
Federal employees' retirement funds:				
Civil service retirement and disability fund	338,983,000	272,344,000	1,059,787,000	868,247,000
Foreign service retirement and disability fund	1,140,000	970,000	3,002,000	2,762,000
Federal National Mortgage Association:				
Secondary market operations:				
Public debt securities	....	....	....	....
Guaranteed securities	....	466,400	761,050	466,400
Federal old-age and survivors insurance trust fund	-233,880,410	383,099,069	-225,331,046	-725,582,159
Highway trust fund	79,139,000	-56,304,000	232,699,000	-427,879,000
Judicial survivors annuity fund	44,000	67,000	210,000	242,500
Railroad retirement account	404,761,000	397,874,000	-78,258,000	264,163,000
Unemployment trust fund	-124,003,179	-82,520,139	-951,988,061	-40,907,178
Veterans life insurance funds:				
Government life insurance fund	23,393,000	9,705,000	-35,107,000	-20,695,000
National service life insurance fund	137,782,000	60,941,000	-43,718,000	61,541,000
Other	-6,349,060	-12,496,355	-18,146,160	23,865,700
Total trust accounts, etc	670,086,069	1,085,480,179	287,949,624	547,929,048
Public enterprise funds:				
Federal Housing Administration:				
Public debt securities	7,560,000	3,795,000	97,489,000	62,169,000
Guaranteed securities	....	....	....	....
Federal Savings and Loan Insurance Corporation	4,000,000	4,000,000	34,000,000	18,500,000
Federal National Mortgage Association:				
Public debt securities (management and liquidating functions)	....	-44,745,000	....	....
Guaranteed securities	731,400	-2,003,400	[38] 7,019,350	15,363,400
Tennessee Valley Authority [39]	-32,000,000	-7,000,000	-12,089,000	51,289,000
Other	4,367,000	3,249,000	21,667,000	18,449,000
Total public enterprise funds	-15,341,600	-42,704,400	148,086,350	165,770,400
Net investments, or sales (-)	654,744,469	1,042,775,779	436,035,974	713,699,448
MEMORANDUM [40] (Included in Table IV)				
Government sponsored enterprises:				
Banks for cooperatives	-2,000,000	-500	3,027,500	-500
Federal Deposit Insurance Corporation	5,000,000	7,500,000	147,521,000	133,996,000
Federal home loan banks	-101,000,000	-28,480,000	286,990,000	102,030,000
Federal intermediate credit banks	....	55,000	1,486,300	1,778,000
Federal land banks	-1,000,000	1,000,000	-4,335,000	1,000,000

TABLE VI--SALES AND REDEMPTIONS OF OBLIGATIONS OF GOVERNMENT AGENCIES IN MARKET (NET)

Public enterprise funds:				
Guaranteed by the United States:				
Federal Farm Mortgage Corporation	$1,000	$3,400	$19,300	$21,300
Federal Housing Administration	-14,821,250	-6,397,200	-81,077,500	-28,412,100
Home Owners' Loan Corporation	1,225	1,400	8,525	44,175
Not guaranteed by the United States:				
Federal National Mortgage Association (management and liquidating functions)	3,000	....	797,333,000	6,000
Home Owners' Loan Corporation	....	20,025	75	20,475
Tennessee Valley Authority	....	....	-50,000,000	....
Trust enterprise funds:				
Guaranteed by the United States:				
District of Columbia stadium fund	....	....	-19,324,000	-380,000
Not guaranteed by the United States:				
Federal National Mortgage Association (secondary market operations)	-14,277,000	-143,232,000	85,552,000	-994,417,000
Net redemptions, or sales (-)	-29,093,025	-149,604,375	732,511,400	-1,023,117,150
MEMORANDUM [40] (Included in Table IV)				
Government sponsored enterprises:				
Not guaranteed by the United States:				
Banks for cooperatives	19,920,000	10,280,000	-51,925,000	-45,640,000
Federal home loan banks	-99,520,000	-70,565,000	200,315,000	-283,595,000
Federal intermediate credit banks	-62,300,000	-63,140,000	-123,695,000	-143,930,000
Federal land banks	-76,754,200	-47,822,600	-220,453,200	-249,827,300

See footnotes on page 19.

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TABLE VII--CHANGES IN THE PUBLIC DEBT

(Includes exchanges)

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	-$1,663,415,000	-$3,844,605,000	+$3,261,886,000	+$1,447,328,000
Certificates of indebtedness	-27,506,000	-3,587,000	-4,310,425,000	-16,194,467,000
Treasury notes	+23,946,500	+3,906,846,000	+4,767,136,400	+24,179,407,850
Treasury bonds	-20,141,450	-3,898,888,050	-422,224,450	-3,591,710,450
Other	-46,795,515	-22,150	-46,987,902	-294,537
Total marketable obligations	-1,733,911,465	-3,840,256,200	+3,249,385,048	+5,840,263,862
Non-marketable obligations:				
United States savings bonds	+42,658,385	-65,075,516	-69,243,017	-3,009,945,246
Treasury bonds, investment series	-19,495,000	-126,881,000	-952,616,000	-1,582,341,000
Other	-3,370,475	-1,904,747	+278,466,849	+245,901,804
Total non-marketable obligations	+19,792,909	-193,861,263	-743,392,168	-4,346,384,441
Total public issues	-1,714,118,555	-4,034,117,463	+2,505,992,879	+1,493,879,420
Special issues	+539,783,000	+999,230,000	+143,641,000	+143,615,000
Other obligations	-366,676	-877,280	-9,456,118	-12,640,650
Change in gross public debt	-1,174,702,231	-3,035,764,743	+2,640,177,761	+1,624,853,770

TABLE VIII--EFFECT OF OPERATIONS ON PUBLIC DEBT

Budget surplus (-) or deficit (+)	-$2,800,896,668	-$4,369,933,761	+$3,924,969,183	-$1,224,047,421
Excess of trust and other receipts (-) or expenditures (+)	-654,952,142	-473,445,253	-609,818,090	+358,943,975
Excess of investments (+) or sales (-) of Government agencies in public debt securities (net)	+654,744,469	+1,042,775,779	+436,035,974	+713,699,448
Excess of redemptions (+) or sales (-) of obligations of Government agencies in market (net)	-29,093,025	-149,604,375	+732,511,400	-1,023,117,150
Increase (-) or decrease (+) in checks outstanding and deposits in transit (net) and other accounts	+329,292,813	+58,900,423	[41] -7,487,237	+379,775,745
Increase (-) or decrease (+) in public debt interest due and accrued	-112,529,429	+243,887,168	-441,949,134	-231,036,134
Increase (+) or decrease (-) in cash held outside Treasurer's account[42]	-93,723,083	+117,728,784	-83,463,290	-3,713,929
Increase (+) or decrease (-) in balance of Treasurer's account	+1,532,454,833	+493,926,490	-1,310,621,044	+2,654,349,235
Increase (+) or decrease (-) in public debt	-1,174,702,231	-3,035,764,743	+2,640,177,761	+1,624,853,770
Gross debt at beginning of period	290,145,640,841	289,366,525,591	286,330,760,848	284,705,907,078
Gross public debt at end of period	288,970,938,610	286,330,760,848	288,970,938,610	286,330,760,848
Guaranteed obligations of Government agencies, not owned by Treasury	240,215,450	139,841,775	240,215,450	139,841,775
Total public debt and guaranteed obligations	289,211,154,060	286,470,602,623	289,211,154,060	286,470,602,623
Deduct: Debt not subject to statutory limitation	349,291,529	405,638,299	349,291,529	405,638,299
Total debt subject to statutory limitation	288,861,862,530	286,064,964,323	288,861,862,530	286,064,964,323

Continued from page 9.

FOOTNOTES

[8] Distribution between income taxes and employment taxes made in accordance with provisions of Sec. 201 of the Social Security Act as amended for transfer to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

[9] "Individual income taxes withheld" have been decreased $170,489,551 to correct estimates for the quarter ended September 1960 and prior, and "Individual income taxes other" have been decreased $6,016,533 to correct estimates for the calendar year 1959 and prior. The total of the above adjustments ($176,506,084) is shown as an increase of employment taxes under "Federal Insurance Contributions Act and Self-Employment Contributions Act" representing increases in appropriations of $161,767,541 for the Federal Old-Age and Survivors Insurance Trust Fund and $14,738,543 for the Federal Disability Insurance Trust Fund.

[10] Formerly included with Dividends and other earnings.

[11] Formerly included under Miscellaneous receipts, other.

[12] Represents appropriations of receipts under the Federal Unemployment Tax Act to the Unemployment Trust Fund as provided under Sec. 901(b) of the Social Security Act, as amended September 13, 1960.

[13] Certain classifications in this statement have been revised to agree with classifications in the 1962 Budget Document. Where no figures appear on certain lines there was either no activity reported or comparative figures are not available on account of changes in classification.

[14] Permanent Committee for Oliver Wendell Holmes Devise formerly shown under Independent Offices included in Library of Con-

[15] Adjustment due to reclassification.

[16] Includes Refugee relief.

[17] President's Special International program formerly shown under Funds appropriated to the President included under Independent Offices, United States Information Agency, as Special international program. See footnote 13.

[18] Represents amount appropriated by Public Law 86-626, approved July 12, 1960, transferred to Civil Service retirement and disability fund.

[19] Represents amount appropriated by Public Law 86-626, approved July 12, 1960, transferred to Employees health benefits fund.

[20] Represents amount appropriated by Public Law 87-14, approved March 31, 1961, transferred to Retired employees health benefits fund.

[21] Formerly stated as River Basin Study Commissions.

[22] Includes $384,207 transferred to Agriculture Department, Food Stamp Program (Sec. 32 of the Act of August 24, 1935, as amended, 7 USC 612). See page 10.

[23] Represents residual of gross receipts and expenditures after reduction for certain costs which are included in amounts shown for special activities.

[24] Includes certain costs transferred from price support operations for which expenditures may have been made in prior years, in addition to adjustments for prior months' transactions.

[25] The greater part of Bureau of Public Roads expenditures are made from Highway Trust Fund, page 11.

Continued on page 19

TABLE IX--INTERFUND TRANSACTIONS EXCLUDED FROM BOTH NET BUDGET RECEIPTS AND EXPENDITURES--JUNE 30, 1961

Classification	This month	Corresponding month last year	Fiscal Year 1961 to date	Corresponding period fiscal year 1960
Interest payments to the Treasury:				
Funds appropriated to the President:				
Defense production act:				
Expansion of defense production	$710,175	$1,356,881	$6,140,587	$34,777,587
Independent offices:				
Export-Import Bank of Washington	21,214,594	20,569,173	42,876,620	45,722,342
Saint Lawrence Seaway Development Corporation	500,000	400,000	2,000,000	2,504,920
Small Business Administration	....	363,256	15,238,423	6,657,359
United States Information Agency:				
Informational media guarantee fund	....	....	1,064,720	413,784
Veterans Administration:				
Direct loans to veterans and reserves	....	....	31,990,233	23,028,174
Total--Independent offices	21,714,594	21,332,429	93,169,996	78,326,580
Housing and Home Finance Agency:				
Office of the Administrator:				
College housing loans	....	....	20,017,279	14,404,921
Public facility loans	....	....	1,594,232	967,401
Urban renewal fund	....	....	2,914,362	2,514,407
Federal National Mortgage Association:				
Management and liquidating functions fund	352,674	1,259,876	27,768,315	29,510,768
Special assistance functions fund	98,073	44,663	64,147,224	41,238,875
Public Housing Administration	....	....	1,102,450	1,331,801
Total--Housing and Home Finance Agency	450,747	1,304,539	117,543,864	89,968,176
Agriculture Department:				
Commodity Credit Corporation	216,927,865	240,538,145	409,574,897	464,785,614
Farmers Home Administration:				
Farm tenant-mortgage insurance fund	476,380	666,721	1,195,868	1,307,791
Total--Agriculture Department	217,404,246	241,204,866	410,770,765	466,093,405
Commerce Department:				
Maritime activities:				
Federal ship mortgage insurance fund	27,125	27,125	54,250	73,881
Defense Department:				
Civil functions:				
The Panama Canal:				
Panama Canal Company	....	1,917,222	6,939,528	9,422,781
Health, Education and Welfare Department:				
Bureau of Federal Credit Unions	....	....	....	33
Interior Department:				
Bureau of Reclamation:				
Colorado River Dam fund, Boulder Canyon project	-86,133	-128,127	3,113,866	3,071,872
Virgin Islands Corporation	....	....	397,760	108
Total--Interior Department	-86,133	-128,127	3,511,626	3,071,981
Treasury Department:				
Office of the Secretary:				
Civil defense program fund	....	540	25,241	24,153
Total--Interest payments to the Treasury	240,220,755	267,015,478	638,155,861	681,758,582
Reimbursements:				
Defense Department:				
Civil functions:				
The Panama Canal:				
Panama Canal Company:				
Reimbursement by Panama Canal Company for annuity payment to Republic of Panama under treaty	....	91,666	338,433	450,000
Reimbursement for net cost of operations of Canal Zone Government less tolls on Government vessels	....	1,503,066	10,048,695	10,967,975
Total--Reimbursements	....	1,594,733	10,387,128	11,417,975
Fees and other charges for accounting and auditing services	72,909	61,893	792,045	796,093
Grand total--Interfund transactions	240,293,665	268,672,105	649,335,035	693,972,652

TABLE X--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS--JUNE 30, 1961

(Included in expenditures in Table III on a net basis)

Classification	Fiscal year 1961 to date			Corresponding fiscal year 1960 Net receipts (-) or expenditures
	Receipts	Expenditures	Net receipts (-) or expenditures	
Executive Office of the President:				
Office of Civil and Defense Mobilization--				
Civil defense procurement fund	$184,396	$120,104	-$64,291	-$70,0
Funds appropriated to the President:				
Expansion of defense production	93,631,336	81,246,152	-12,385,184	130,267,5
Mutual security-economic assistance:				
Development loan fund	16,767,094	275,789,863	259,022,768	202,351,7
Foreign investment guarantee fund	1,672,905	75	-1,672,830	-1,356,2
Total--Funds appropriated to the President	112,071,337	357,036,091	244,964,754	331,263,14
Independent Offices:				
Atomic Energy Commission--Defense production guarantees	....	....	....	-12,0
Export-Import Bank of Washington	544,423,311	581,637,051	37,213,740	-323,179,6
Farm Credit Administration:				
Federal Farm Mortgage Corporation fund	1,741,959	5,485	-1,736,474	-1,670,8
Federal intermediate credit banks investment fund	....	5,500,000	5,500,000	6,250,0
Production credit associations investment fund	1,640,000	50,000	-1,590,000	-1,445,0
Banks for cooperatives investment fund	8,052,400	....	-8,052,400	-8,460,1
Total-Farm Credit Administration	11,434,359	5,555,485	-5,878,874	-5,325,9
Federal Home Loan Bank Board:				
Federal Savings and Loan Insurance Corporation fund	60,820,125	25,628,120	-35,192,004	-20,426,34
Other	10,714,963	10,813,633	98,670	259,0
National Science Foundation	....	....	....	-1,5
Saint Lawrence Seaway Development Corporation	3,673,815	6,151,312	2,477,496	6,122,16
Small Business Administration	142,094,319	224,705,168	82,610,849	54,593,0
Tennessee Valley Authority	271,992,470	310,669,885	38,677,415	11,847,65
United States Information Agency	2,822,088	7,308,846	4,486,758	2,187,47
Veterans Administration	224,021,490	355,411,672	131,390,181	187,448,25
Total--Independent Offices	1,271,996,943	1,527,881,177	255,884,233	-86,488,04
General Services Administration:				
Defense materials activities	724,934	71,745	-653,189	-1,781,13
General activities	2,099,036	234,618	-1,864,417	-1,677,30
Total--General Services Administration	2,823,970	306,363	-2,517,607	-3,458,43
Housing and Home Finance Agency:				
Office of the Administrator:				
College housing loans	38,760,580	236,935,899	198,175,318	201,314,30
Liquidating programs	88,136,144	513,675	-87,622,468	-77,629,09
Urban renewal fund	83,679,999	228,180,893	144,500,893	105,074,16
Other	11,939,772	21,931,495	9,991,722	11,945,72
Federal National Mortgage Association:				
Subscription to capital stock, secondary market operations	....	16,000,000	16,000,000	....
Loans for secondary market operations	854,332,753	854,332,753	....	-41,531,03
Management and liquidating functions fund	246,387,605	166,395,691	-79,991,914	-437,219,72
Special assistance functions fund	161,010,068	296,498,746	135,488,677	448,992,15
Federal Housing Administration	301,370,489	294,246,012	-7,124,476	-53,311,65
Public Housing Administration	132,081,111	287,068,560	154,987,448	139,925,24
Total--Housing and Home Finance Agency	1,917,698,526	2,402,103,729	484,405,202	297,560,07
Agriculture Department:				
Commodity Credit Corporation:				
Price support, supply, and related programs, and special milk[23]	2,765,108,160	4,437,409,896	1,672,301,735	1,561,390,62
Special activities financed by Commodity Credit Corporation[24]	120,827,215	1,880,957,885	1,760,130,670	1,685,868,24
Federal Crop Insurance Corporation	17,289,574	9,845,670	-7,443,904	-2,363,14
Farmers Home Administration:				
Disaster loans, etc., revolving fund	27,962,335	29,436,202	1,473,867	-17,785,16
Farm tenant-mortgage insurance fund	24,465,242	18,321,289	-6,143,952	6,814,64
Total--Agriculture Department	2,955,652,528	6,375,970,945	3,420,318,416	3,233,925,21
Commerce Department:				
General administration	8,200	752	-7,447	-84
Maritime activities	9,444,334	7,252,990	-2,191,344	-1,565,16
Inland Waterways Corporation	3,360	2,967	-393	-874,89
Total--Commerce Department	9,455,895	7,256,710	-2,199,185	-2,440,90
Defense Department:				
Military functions:				
Secretary of Defense	62,492,222	101,170,144	38,677,921	22,796,18
Army	521,779	497,193	-24,586	-137,24
Navy	1,760,279	1,626,121	-134,158	-279,77
Total--Military functions	64,774,282	103,293,460	38,519,177	22,379,161

TABLE X--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS--JUNE 30, 1961--Continued

Classification	Fiscal year 1961 to date			Corresponding fiscal year 1960
	Receipts	Expenditures	Net receipts (-) or expenditures	Net receipts (-) or expenditures
Defense Department--Continued				
Civil functions:				
Army:				
Panama Canal Company	$102,648,554	$108,948,836	$6,300,282	-$2,174,689
Defense production guarantees	242,902	27,530	-215,372	58,049
Navy--Defense production guarantees	526,717	46,932	-479,785	936,513
Air Force--Defense production guarantees	7,910,235	7,365,851	-544,384	-973,289
Total--Civil functions	111,328,409	116,389,150	5,060,741	-2,153,415
Total--Defense Department	176,102,692	219,682,610	43,579,918	20,225,745
Health, Education, and Welfare Department:				
Public Health Service--Operation of commissaries, narcotic hospitals	241,793	233,207	-8,585	-8,343
Social Security Administration--Operating fund, Bureau of Federal Credit Unions	3,574,944	3,435,871	-139,072	-170,629
Total--Health, Education, and Welfare Department.	3,816,737	3,669,078	-147,658	-178,973
Interior Department:				
Bureau of Indian Affairs:				
Revolving fund for loans	2,984,032	3,246,763	262,730	856,193
Hoonah Housing project liquidation	3,098	3,787	689	6,944
Bureau of Reclamation:				
Ft. Peck project, Montana	2,608,721	1,061,656	-1,547,065	-1,780,775
Upper Colorado River Basin fund	1,617,005	58,707,566	57,090,561	32,032,395
Bureau of Mines--Development and operation of helium property	10,014,437	10,955,459	941,022	90,639
Fish and Wildlife Service--Bureau of Commercial Fisheries	1,176,390	2,283,277	1,106,886	625,691
Office of Territories--Loans to private trading enterprises, Trust Territory of the Pacific Islands	31,369	1,969	-29,399	-76,610
Virgin Islands Corporation	2,648,179	6,131,929	3,483,750	167,648
Alaska Railroad revolving fund	17,125,279	17,040,610	-84,668	-217,313
Total--Interior Department	38,208,515	99,433,021	61,224,506	31,704,812
Labor Department:				
Advances to employment security administration account, unemployment trust fund	252,910,388	301,500,000	48,589,611	....
Farm labor supply fund	3,437,562	2,685,906	-751,655	-2,067,280
Total--Labor Department	256,347,950	304,185,906	47,837,956	-2,067,280
Post Office Department--Postal fund	3,472,157,972	4,352,619,785	[6] 880,461,813	487,616,369
Treasury Department:				
Office of the Secretary:				
Reconstruction Finance Corporation liquidation fund	4,909,662	958,112	-3,951,550	-14,267,391
Civil defense program fund	162,767	25,293	-137,474	-145,340
Bureau of Accounts--Government losses in shipment fund	1,376	87,470	86,093	35,955
Office of the Treasurer--Check forgery insurance fund	216,948	227,798	10,849	-2,670
Total--Treasury Department	5,290,755	1,298,673	-3,992,081	-14,379,446
Total--Public enterprise funds	10,221,808,221	15,651,564,199	5,429,755,977	4,293,212,212

TABLE XI--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF TRUST ENTERPRISE (REVOLVING) FUNDS--JUNE 30, 1961

(Included in expenditures in Table IV on a net basis)

Classification	Fiscal year 1961 to date			Corresponding fiscal year 1960
	Receipts	Expenditures	Net receipts (-) or expenditures	Net receipts (-) or expenditures
Independent offices:				
Civil Service Commission:				
Employees health benefits fund	$296,242,567	$272,979,333	-$23,263,233	....
Employees life insurance fund	190,882,347	139,977,661	-50,904,686	-$44,045,191
Retired employees health benefits fund	1,625,000	2,083	-1,622,916	....
Federal Communications Commission:				
International telecommunications settlements	201,289	209,205	7,916	-9,588
National Capital Housing Authority:				
Operation and maintenance, properties aided by Public Housing Administration	8,690,734	9,012,703	321,968	2,580,122
General Services Administration:				
Records activities: National Archives trust fund	591,604	542,835	-48,769	-38,626
Housing and Home Finance Agency:				
Federal National Mortgage Association:				
Loans for secondary market operations [37]	870,332,753	854,332,753	-16,000,000	41,531,035
Other	1,550,494,659	1,481,722,237	-68,772,422	946,471,695
Department of Agriculture:				
Farmers Home Administration:				
State rural rehabilitation funds	12,150,871	10,861,314	-1,289,556	2,261,326
Department of Defense - Civil:				
United States Soldiers' Home:				
United States Soldiers' Home revolving fund	115,254	123,028	7,773	-7,658
Department of Justice:				
Alien Property activities	4,502,215	7,328,853	2,826,638	4,620,352
Federal Prison System:				
Commissary funds, Federal prisons	2,202,121	2,209,757	7,635	25,824
Total--trust enterprise funds	2,938,031,419	2,779,301,768	-158,729,650	953,389,292

TABLE XII--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1961

(Figures are rounded in millions of dollars and may not add to totals.)

Classification	July	August	September	October	November	December	January	February	March	April	May	June	Cumulative thru June	Comparable period F.Y. 1960
BUDGET RECEIPTS														
Internal Revenue:														
Individual income taxes withheld	$1,055	$4,849	$2,527	$1,066	$4,527	$2,591	$1,049	$4,781	$2,413	$916	$4,743	$2,450	$32,969	$31,675
Individual income taxes--other	346	147	1,959	230	121	383	2,149	786	759	3,403	956	1,937	13,175	13,271
Corporation income taxes	670	409	3,492	481	455	3,331	534	444	5,799	493	411	5,246	21,765	22,179
Excise taxes	995	1,121	1,024	1,021	1,069	1,008	918	861	1,082	831	1,072	1,067	12,069	11,865
Employment taxes	383	1,608	792	389	1,295	596	348	1,814	1,348	736	2,020	1,173	12,502	11,159
Estate and gift taxes	119	139	116	151	121	171	171	161	190	244	187	145	1,916	1,626
Internal revenue not otherwise classified	......	......	......	......	......	......	......	......	....	....	......	......	....	....
Customs	84	93	87	92	91	80	82	70	88	73	85	84	1,008	1,123
Miscellaneous receipts	325	223	214	212	221	591	286	236	199	662	292	540	4,001	4,064
Gross budget receipts	3,976	8,590	10,211	3,641	7,900	8,751	5,537	9,153	11,878	7,359	9,767	12,642	99,405	96,962
Deduct:														
Transfers to:														
Federal old-age and survivors insurance trust fund	335	1,396	678	342	1,112	510	282	1,328	1,173	658	1,784	1,025	10,623	9,272
Federal disability insurance trust fund	30	128	61	31	102	36	22	120	112	62	156	102	963	939
Highway trust fund	257	296	262	253	268	240	223	235	213	201	237	238	2,923	2,642
Railroad retirement account	17	83	52	15	81	48	13	77	48	14	77	44	571	607
Unemployment trust fund	......	......	2	1	1	1	32	289	15	2	2	1	345	......
Refunds of receipts	167	203	161	173	29	61	64	530	1,792	1,296	1,036	242	5,752	5,045
Total deductions	805	2,106	1,216	815	1,592	897	636	2,579	3,353	2,233	3,293	1,652	21,178	18,505
Subtotal receipts	3,170	6,484	8,995	2,827	6,308	7,854	4,901	6,574	8,525	5,126	6,473	10,989	78,227	78,457
Less: Certain interfund transactions[1]	43	30	14	4	8	211	55	36	1	1	6	240	649	694
Net budget receipts F.Y. 1961	3,128	6,454	8,981	2,823	6,300	7,643	4,846	6,537	8,524	5,125	6,467	10,749	77,578	77,763
Comparable totals F.Y. 1960	3,212	5,654	8,463	3,018	5,889	7,339	4,867	7,237	9,580	5,064	6,550	10,891	77,763	......
BUDGET EXPENDITURES														
Legislative Branch	10	12	11	10	10	17	9	10	10	8	12	14	134	126
The Judiciary	4	4	4	5	5	4	4	4	4	4	5	5	52	49
Executive Office of the President	5	8	5	5	5	5	9	6	6	5	6	6	70	56
Funds appropriated to the President:														
Mutual security-economic assistance	121	128	134	125	167	144	175	151	161	174	151	159	1,792	1,613
Other	r 6	r 7	r 3	r -1	r 2	r 5	-1	4	11	-8	5	-30	3	143
Independent Offices:														
Atomic Energy Commission	219	230	225	217	229	221	202	217	236	231	246	244	2,716	2,623
Civil Aeronautics Board	6	6	9	6	5	6	7	8	8	7	8	7	86	67
Export-Import Bank of Washington	-56	14	-6	8	30	-26	11	34	5	19	3	1	37	-323
Federal Aviation Agency	43	49	64	53	51	56	50	54	65	49	50	55	639	508
National Aeronautics and Space Administration	27	59	52	71	56	67	48	49	73	84	70	88	744	401
National Science Foundation	11	15	13	6	6	8	8	9	9	12	33	14	143	120
Small Business Administration	-4	22	4	8	(*)	23	-6	8	8	7	6	13	90	60
Tennessee Valley Authority	1	4	5	3	1	-5	7	-1	3	7	7	6	39	12
U. S. Information Agency	r 9	r 8	r 11	r 9	r 8	r 8	9	15	11	8	12	10	119	113
Veterans Administration	415	482	423	433	449	452	454	456	488	452	449	450	5,401	5,250
Other	r 70	r 26	r 17	r 17	r 12	r 18	18	12	17	23	15	20	265	182
General Services Administration	-2	37	42	27	31	44	29	30	41	28	33	48	387	408
Housing and Home Finance Agency:														
Federal National Mortgage Association:														
Secondary market operations	36	-19	52	23	-11	-27	-24	-13	13	-11	7	-10	16	-42
Management and liquidating functions	-15	-3	17	14	2	-19	4	-17	-8	-17	-22	-15	-80	-437
Special assistance functions	41	9	9	10	6	14	29	7	(*)	4	8	-1	135	449
Other	73	31	39	-36	6	13	40	46	56	55	46	57	427	339
Agriculture Department:														
Commodity Credit Corporation	223	284	263	346	284	428	258	(*)	49	214	441	642	3,432	3,247
Other	172	176	192	421	271	199	226	157	191	218	160	138	2,522	2,172
Commerce Department	54	43	37	113	37	25	-25	49	35	54	46	30	498	539
Defense Department:														
Military functions:														
Office of Secretary of Defense	64	113	94	88	90	99	85	89	91	88	97	103	1,101	1,116
Department of the Army	765	860	840	815	821	902	830	786	905	805	847	953	10,130	9,392
Department of the Navy	852	979	1,030	943	1,026	1,111	934	982	1,131	972	1,107	1,139	12,204	11,642
Department of the Air Force	1,439	1,658	1,637	1,588	1,595	1,749	1,558	1,605	1,817	1,527	1,752	1,853	19,776	19,066
Total Military functions	3,120	3,609	3,601	3,434	3,532	3,862	3,408	3,462	3,943	3,391	3,803	4,048	43,211	41,215
Military assistance	129	121	79	76	115	125	89	88	99	135	89	294	1,440	1,609
Civil functions	56	91	93	107	83	79	73	65	65	67	74	117	971	902
Health, Education, and Welfare Department	277	297	303	299	297	279	338	326	315	308	306	338	3,685	3,403
Interior Department	58	81	97	64	64	61	60	65	69	55	60	67	801	690
Justice Department	21	24	29	22	21	23	23	22	29	23	24	23	284	258
Labor Department	45	40	47	53	51	59	58	49	69	-114	140	333	831	549
Post Office Department	74	75	85	30	50	30	54	96	82	138	82	135	929	525
State Department	57	17	20	22	20	18	23	3	21	15	15	21	253	247

TABLE XII--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1961--Continued

(Figures are rounded in millions of dollars and may not add to totals.)

Classification	July	August	September	October	November	December	January	February	March	April	May	June	Cumulative thru June	Comparable period F.Y. 1960
BUDGET EXPENDITURES--Continued														
Treasury Department:														
Interest on the public debt	$806	$751	$736	$748	$734	$765	$775	$719	$726	$722	$717	$763	$8,962	$9,180
Interest on refunds of receipts, etc	9	7	11	8	6	8	5	7	13	8	6	7	93	86
Other	64	88	78	77	145	69	74	73	90	r 78	62	79	976	865
District of Columbia	30	.....	1	2	.....	.....	4	......	1	1	2	10	50	28
Unclassified expenditure transfers	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	....
Subtotal expenditures	6,214	6,833	6,808	6,832	6,781	7,058	6,524	6,272	7,013	6,451	7,175	8,188	82,152	77,233
Deduct: Certain interfund transactions[1]	43	30	14	4	8	211	55	36	1	1	6	240	649	694
Budget expenditures F.Y. 1961	6,172	6,803	6,793	6,829	6,773	6,847	6,470	6,236	7,012	6,450	7,169	7,948	81,503	76,539
Comparable totals F.Y. 1960	6,523	6,280	6,334	6,863	6,590	6,601	6,157	6,142	6,423	6,032	6,073	6,521	76,539	....
Budget surplus (+) or deficit (-) F.Y. 1961	-3,044	-349	+2,188	-4,006	-473	+796	-1,624	+301	+1,512	-1,325	-702	+2,801	-3,925	+1,224
Comparable totals F.Y. 1960	-3,311	-626	+2,129	-3,846	-701	+738	-1,290	+1,095	+3,157	-968	+ 476	+4,370	+1,224	....

*Less than $500,000.
[r]Revised due to reclassification.

TABLE XIII--BUDGET EXPENDITURES BY MAJOR FUNCTIONS[43]

(Figures are rounded in millions of dollars and may not add to totals.)

Function	Fiscal Year 1961 thru June, 1961	Fiscal Year 1960 thru June, 1960	Actual Fiscal Year 1960	Actual Fiscal Year 1959
Major national security	$47,389	$45,627	$45,627	$46,426
International affairs and finance	2,281	1,833	1,833	3,780
Veterans services and benefits	5,262	5,060	5,060	5,174
Labor and welfare	4,863	4,419	4,419	4,421
Agriculture and agricultural resources	5,482	4,838	4,838	6,529
Natural resources	2,008	1,713	1,713	1,669
Commerce, housing, and space technology	3,881	2,782	2,782	3,421
General government	1,931	1,695	1,695	1,606
Interest	9,055	9,266	9,266	7,671
Undistributed	....	....	....	....
Total	82,152	77,233	77,233	80,697
Less: Certain interfund transactions[1]	649	694	694	355
Budget expenditures	81,503	76,539	76,539	80,342

Continued from page 14

FOOTNOTES

[26]Represents estimated adjustments to reclassify expenditures for comparability with the latest budget appropriation structure. These adjustments are made between the major categories of expenditures and, therefore, do not affect the total expenditures for military functions. Amounts shown for the respective Departments represent the expenditures as recorded in books of account of the Departments and do not include any adjustments for comparability.

[27]Gives effect to return of advances. (See footnote 28).

[28]Includes return of advances with offsetting amounts reflected under Navy, Procurement, and Research, development, test and evaluation.

[29]Represents net cash transactions under provisions of Sec. 2(a)(3) of Public Law 85-141, approved August 14, 1957.

[30]Expenditures previously made from the appropriation for the fiscal year 1961 under this classification have been transferred to the Unemployment Trust Fund pursuant to Public Law 87-14, approved March 31, 1961.

[31]Includes advance of $250,000,000 to the Unemployment Trust Fund, Employment security administration account made pursuant to provisions of Public Law 87-14, approved March 31, 1961, which has been repaid, along with interest in the amount of $2,910,388.

[32]Reduced by $5,644,052 representing transfer of expenditures previously made from the appropriation for Salaries and Expenses, 1961 to the Unemployment Trust Fund pursuant to Public Law 87-14, approved March 31, 1961.

[33]Gives effect to reimbursements collected for administrative support furnished to other agencies amounting to approximately $64,466,070.

[34]Represents adjustment of estimates of amounts of Federal unemployment taxes appropriated and transferred to the Unemployment Trust Fund for the fiscal year ended June 30, 1960, pursuant to Title IX, Social Security Amendments of 1960, P. L. 86-778, approved September 13, 1960.

[35]Expenditures are stated on an accrual basis.

[36]Totals shown for trust receipts and trust expenditures exclude certain inter-trust fund transactions which are included in the detail of both trust receipts and trust expenditures. The transactions deducted consist mainly of financial interchanges between trust funds resulting in receipts and expenditures.

[37]The association exchanged preferred stock in the amount of $16,000,000 for notes in the same amount held by the Secretary of the Treasury in accordance with Public Law 85-104, July 12, 1957.

[38]Includes investments in amount of $435,100 for the Management and Liquidating functions fund and $6,584,250 for the Special Assistance functions fund.

[39]Includes $10,700,000 investment in obligations of Federal National Mortgage Association, Secondary Market Operations.

[40]The security transactions of Government-sponsored enterprises are included in deposit fund accounts (net) and excluded from net sales or investments of Government agencies in public debt securities and net sales or redemptions of obligations of Government agencies in the market.

[41]Further breakdown of this classification is not available in time for publication in this statement.

[42]Represents changes in cash on hand, in banks held outside the Treasurer's account, deposits in transit and cash payments not yet covered by vouchers processed through accounts.

[43]Data only on major classifications is available at the time of publication of this statement. For sub-functions see the ensuing issues of (1) Budgetary Appropriations and other Authorizations and (2) the Treasury Bulletin.

TABLE XIV--SUMMARY OF PUBLIC DEBT AND GUARANTEED OBLIGATIONS OUTSTANDING JUNE 30, 1961 AND COMPARATIVE FIGURES FOR JUNE 30, 1960

Title	June 30, 1961		June 30, 1960	
	Average interest rate[b]	Amount outstanding	Average interest rate[b]	Amount outstanding
Public debt:				
Interest-bearing debt:				
Public issues:				
Marketable obligations:	Percent		Percent	
Treasury bills (regular series)	[a] 2.586	$35,220,290,000	[a] 3.815	$33,414,810,000
Treasury bills (tax anticipation series)	[a] 2.538	1,502,900,000	....	....
Certificates of indebtedness (regular series)	3.073	13,337,993,000	4.721	17,650,060,000
Treasury notes	3.704	56,257,146,000	4.058	51,483,384,000
Treasury bonds	2.829	80,829,778,750	2.639	81,247,247,150
Other bonds	....	....	2.902	49,800,000
Total marketable obligations	3.063	187,148,107,750	3.449	183,845,301,150
Non-marketable obligations:				
United States savings bonds	3.408	47,514,265,368	3.293	47,543,786,105
Depositary bonds	2.000	116,819,500	2.000	169,925,500
Treasury bonds-R.E.A. series	2.000	19,221,000	....	....
Treasury bonds, investment series	2.730	5,830,308,000	2.732	6,782,924,000
Total non-marketable obligations	3.330	53,480,613,868	3.219	54,496,635,605
Total public issues	3.122	240,628,721,618	3.396	238,341,936,755
Special issues:				
Civil service retirement fund	2.637	10,381,384,000	2.586	9,367,341,000
Federal Deposit Insurance Corporation	2.000	556,400,000	2.000	694,300,000
Federal disability insurance trust fund	2.826	2,298,952,000	2.607	2,017,410,000
Federal home loan banks	2.125	50,000,000	2.000	59,000,000
Federal Housing Administration funds	2.000	86,163,000	2.000	53,572,000
Federal old-age and survivors insurance trust fund	2.700	16,200,171,000	2.575	16,412,594,000
Federal Savings and Loan Insurance Corporation	2.000	138,000,000	2.000	104,000,000
Foreign service retirement fund	3.956	32,180,000	3.954	29,178,000
Government life insurance fund	3.519	1,071,433,000	3.519	1,106,540,000
Highway trust fund	3.000	234,034,000	3.500	1,335,000
National service life insurance fund	3.071	5,759,371,000	3.064	5,803,089,000
Railroad retirement account	3.000	3,503,534,000	3.000	3,585,967,000
Unemployment trust fund	3.000	4,624,985,000	3.250	5,580,307,000
Veterans special term insurance fund	2.875	106,280,000	2.625	84,613,000
Total special issues	2.803	45,042,887,000	2.772	44,899,246,000
Total interest-bearing debt	3.072	285,671,608,618	3.297	283,241,182,755
Matured debt on which interest has ceased	....	349,355,209	....	444,608,630
Debt bearing no interest:				
International Monetary Fund	....	2,496,000,000	....	2,238,000,000
International Development Association	....	57,652,200	....	....
Other	....	396,322,582	....	406,969,462
Total gross public debt	....	288,970,938,610	....	286,330,760,848
Guaranteed obligations not owned by the Treasury:				
Interest-bearing debt	3.144	239,694,000	2.681	139,305,000
Matured debt on which interest has ceased	....	521,450	....	536,775
Total guaranteed obligations not owned by the Treasury	....	240,215,450	....	139,841,775
Total gross public debt and guaranteed obligations	....	289,211,154,060	....	286,470,602,623

[a] Computed on true discount basis.

[b] Beginning with the statement for December 31, 1958, the computed average interest rate on the public debt is based upon the rate of effective yield for issues sold at premiums or discounts. Prior to December 31, 1958, the computed average rate was based upon the coupon rates of the securities. This rate did not materially differ from the rate computed on the basis of effective yield. The Treasury, however, announced on November 18, 1958, that there may be more frequent issues of securities sold with premiums or discounts whenever appropriate. This "effective-yield" method of computing the average interest rate on the public debt will reflect more accurately the interest cost to the Treasury, and is felt to be in accord with the intent of Congress where legislation has required the use of such rate for various purposes.

Source: Prepared by the United States Treasury Department on the basis of reports received from Govt. disbursing and collecting agencies

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GPO 914611

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 20, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON PORTLAND GRAY CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that portland gray cement from Portugal is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The dollar value of imports of this merchandise from Portugal received during 1960 was approximately $605,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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July 20, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON PORTLAND GRAY CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that portland gray cement from Portugal is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The dollar value of imports of this merchandise from Portugal received during 1960 was approximately $605,000.

July 20, 1961

FOR RELEASE A. M. NEWSPAPERS,
Friday, July 21, 1961.

RESULT OF TREASURY'S $3-1/2 BILLION 240-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $3,500,000,00 or thereabouts, of Tax Anticipation Series 240-day Treasury bills to be dated July 26, 1961, and to mature March 23, 1962, which were offered on July 13, were opened at the Federal Reserve Banks on July 20.

The details of this issue are as follows:

Total applied for - $5,146,958,000
Total accepted - 3,501,051,000 (includes $511,736,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting four tenders totaling $9,200,000)

High	- 98.400	Equivalent rate of discount approx. 2.400%	per annum
Low	- 98.320	" " " " " 2.520%	" "
Average	- 98.345	" " " " " 2.483%	" " 1/

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 260,425,000	$ 149,850,000
New York	2,169,515,000	1,223,540,000
Philadelphia	240,939,000	185,489,000
Cleveland	431,212,000	319,012,000
Richmond	110,016,000	98,116,000
Atlanta	177,640,000	144,890,000
Chicago	601,181,000	549,681,000
St. Louis	122,235,000	81,678,000
Minneapolis	146,953,000	131,703,000
Kansas City	106,569,000	99,569,000
Dallas	388,605,000	260,605,000
San Francisco	391,668,000	256,918,000
TOTAL	$5,146,958,000	$3,501,051,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 2.55%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 20, 1961

FOR RELEASE A. M. NEWSPAPERS,
Friday, July 21, 1961.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

July 21, 1961

FOR IMMEDIATE RELEASE

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $11,804 million, or 94.2%, of Treasury securities maturing from August 1 through October 1, 1961, aggregating $12,536 million, have been exchanged for the three new issues included in the current exchange offering. About $732 million, or 5.8%, of the four maturing issues remain for cash redemption.

Of the maturing securities held outside the Federal Reserve Banks and Government accounts, 9.8% were not exchanged. The unexchanged part of the August 1 maturities amounted to 5.8% of the public holdings. The unexchanged part of the September and October maturities amounted to 17.9% of those publicly held.

A breakdown of the subscriptions is as follows: (in millions)

Maturing issues exchanged	Nov. 15, 1962 Notes	Aug. 15, 1964 Notes	Bonds of 1968 (Addl. Issue)	Total Exchanged	Total Outstandir
Aug. 1 certificates	$4,568	$3,056	$134	$ 7,758	$ 7,829
Aug. 1 notes	654	971	289	1,914	2,136
Sept. 15 bonds	666	880	314	1,860	2,239
Oct. 1 notes	183	81	8	272	332
Total	$6,071	$4,988	$745	$11,804	$12,536
Subscribers					
Federal Reserve Banks and Govt. accounts	3,386	1,600	58	5,044	
All others	2,685	3,388	687	6,760	
Total	$6,071	$4,988	$745	$11,804	

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 21, 1961

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 21, 1961

FOR RELEASE, TUESDAY A.M.
JULY 25, 1961

NEW EMPLOYMENT POLICY MOVES
TAKEN BY ENGRAVING & PRINTING BUREAU

New moves to improve employment opportunities for minority groups in the Treasury Department's Bureau of Engraving and Printing were announced today.

Robert A. Wallace, Treasury Employment Policy Officer reported that an employment policy officer has been named to process complaints of racial discrimination in the Bureau, and a five-man policy review board has been appointed to review such complaints.

The steps were taken as interim measures pending completion of the Treasury's overall review of employment policy complaints at the Bureau. Meanwhile, the Bureau's first Negro machinist has been hired.

The Bureau's 3,000 employees manufacture money and stamps for the Government.

The Bureau's new Employment Policy Officer is Jay L. Esserman. The new Employment Policy Review Board consists of 3 Negro employees, Conwell Jones, Thomas Tibbs and Richard Redmond, in addition to Esserman who is the Chairman, and Arthur Barron. The Board will review all complaints of discrimination filed by minority group members and make recommendations for appropriate action. In addition, it will advise the Director on any administrative steps that may be taken to prevent discrimination.

The Bureau's first Negro machinist is Samuel Ficklin, formerly a tool maker at the Naval Weapons Plant. Mr. Ficklin began work at the Bureau on July 19th, 1961.

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July 24, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, July 25, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 April 27, 1961, and the other series to be dated July 27, 1961, which were offered on July 19, were opened at the Federal Reserve Banks on July 24. 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 October 26, 1961		:	182-day Treasury bills maturing January 25, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.450	2.176%	:	98.784 a/	2.405%
Low	99.425	2.275%	:	98.753	2.467%
Average	99.433	2.244% 1/	:	98.763	2.446% 1/

a/ Excepting one tender totaling $100,000.

29 percent of the amount of 91-day bills bid for at the low price was accepted.

36 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	$ 38,048,000	$ 28,048,000	:	$ 7,457,000	$ 7,457,000
New York	1,236,275,000	716,425,000	:	749,852,000	392,452,000
Philadelphia	25,089,000	10,089,000	:	7,232,000	2,232,000
Cleveland	28,329,000	28,329,000	:	17,813,000	14,613,000
Richmond	8,931,000	8,931,000	:	931,000	931,000
Atlanta	19,666,000	19,453,000	:	4,422,000	4,222,000
Chicago	201,958,000	141,958,000	:	68,831,000	39,831,000
St. Louis	19,792,000	17,082,000	:	4,711,000	4,211,000
Minneapolis	14,994,000	14,994,000	:	4,117,000	3,297,000
Kansas City	46,525,000	43,525,000	:	14,170,000	12,170,000
Dallas	20,107,000	16,107,000	:	12,007,000	4,507,000
San Francisco	55,120,000	55,120,000	:	16,127,000	14,127,000
TOTALS	$1,714,834,000	$1,100,061,000 b/		$907,670,000	$500,050,000 c/

b/ Includes $201,262,000 noncompetitive tenders accepted at the average price of 99.433.

c/ Includes $35,844,000 noncompetitive tenders accepted at the average price of 98.763.

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.29%, for the 91-day bills, and 2.51% for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

July 24, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, July 25, 1961.

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Minneapolis	14,994,000	14,994,000	:	4,117,000	3,297,000
Kansas City	46,525,000	43,525,000	:	14,170,000	12,170,000
Dallas	20,107,000	16,107,000	:	12,007,000	4,007,000
San Francisco	55,120,000	55,120,000	:	16,127,000	14,127,000
TOTALS	$1,714,834,000	$1,100,061,000 b/		$907,670,000	$500,050,000 c/

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REFER TO FILE NO.

TREASURY DEPARTMENT

WASHINGTON 25, D. C.

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OFFICE OF THE CHIEF
U. S. SECRET SERVICE

July 21, 1961

Dear Mr. Secretary:

For over thirty-three years I have been in the Secret Service, almost thirteen of them in the capacity of Chief. With your permission I would like to make application for retirement to be effective not later than August 31, 1961.

While I regret taking this action and feel that I have been most fortunate to have these thirty-three years in government, and particularly in the Treasury Department, I do need a complete rest.

The United States Secret Service is an outstanding law enforcement agency and I know it is widely respected as such throughout the world. I hope that in some small way I have contributed to the standing of this Service which has been so much a part of my life.

During the short time you have been Secretary of the Treasury, I have appreciated the fine cooperation and assistance of yourself and your staff, and would like to take this opportunity to express my very warm thanks to you.

Yours sincerely,

U. E. Baughman
Chief, U. S. Secret Service

Honorable Douglas Dillon
Secretary of the Treasury
Washington, D. C.

REFER TO FILE NO.

DEPARTMENT 444

July 25, 1961

Dear Chief Baughman:

It is with genuine regret that I accept your decision to retire as Chief of the United States Secret Service, effective August 31, 1961. I appreciate your desire, after 33 years of dedicated public service, for rest and for more time to devote to your personal affairs.

Your record in the Secret Service is an impressive one. Over the years, you progressed steadily from clerk to Secret Service Agent, to Special Agent in Charge, and, finally, to the highest post in the Service, which you have occupied with distinction since 1948. As Chief, you have been singularly successful because you have combined an exceptional background in technical enforcement with a definite talent for administration.

Under your direction, the Secret Service has operated as a closely-knit organization which has reflected your leadership. The high standards of performance of the Service, the outstanding degree of loyalty and devotion of the men to the Service, the excellent relationships of the Service with local police authorities -- these are perhaps the best commentary that can be made on your own character, integrity, and personal qualities.

You will be sorely missed. The President joins me in wishing you success and happiness in the years ahead.

Sincerely,

Douglas Dillon

Mr. U. E. Baughman
Chief, U. S. Secret Service
Treasury Department
Washington 25, D. C.

CDD:gp 7/24/61

~~Immediate Release~~
For Release: ~~as 12:00 noon~~
~~Tuesday~~, July ~~25~~ 1961

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July 25, 1961

Caps // Secret Service Chief Baughman to Retire

U E. Baughman, Chief of the United States Secret Service, has ~~today~~ announced his intention to retire, effective not later than August 31, 1961.

In a letter to Treasury Secretary Douglas Dillon, Chief Baughma said:

In reply, the Secretary wro6e Chief Baughman:

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

July 25, 1961

IMMEDIATE RELEASE

SECRET SERVICE CHIEF BAUGHMAN TO RETIRE

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In a letter to Treasury Secretary Douglas Dillon, Chief Baughman said:

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The United States Secret Service is an outstanding law enforcement agency and I know it is widely respected as such throughout the world. I hope that in some small way I have contributed to the standing of this Service which has been so much a part of my life.

During the short time you have been Secretary of the Treasury, I have appreciated the fine cooperation and assistance of yourself and your staff, and would like to take this opportunity to express my very warm thanks to you.

Yours sincerely,

U. E. Baughman
Chief, U. S. Secret Service

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In reply, the Secretary wrote Chief Baughman:

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You will be sorely missed. The President joins me in wishing you success and happiness in the years ahead.

Sincerely,

Douglas Dillon

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STATEMENT OF STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE
ON H. R. 10
TUESDAY, JULY 25, 1961
10:00 A.M., EDT

The Treasury Department welcomes this opportunity to present its views on H. R. 10, "To encourage the establishment of voluntary pension plans by self-employed individuals." The problem with which this bill is concerned -- how to treat the retirement savings of the self-employed for tax purposes -- is an important one.

The objective of H. R. 10 is to give self-employed people a tax postponement advantage for income set aside in qualified pension plans generally comparable to that now received by employees covered by such plans who now are not required to include their employer's pension contributions currently in their taxable income. Under the bill, self-employed people covered by pension plans meeting the requirements described below would be allowed income tax deductions, within certain limits, for pension contributions made on their own behalf. In general, the income set aside in such pension plans would remain free of tax until received by the individual, when it would be included in income for tax purposes. In addition, the earnings on the income so set aside would likewise be

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exempt from tax prior to withdrawal. Since income tends to decline in the retirement years and older people receive favored tax treatment under a number of provisions, the deferment of tax from the time when the self-employed individual makes the pension contributions until the time he receives the pension benefits would shift income to lower income tax brackets. In addition to reducing taxes, the postponement of the time when tax is payable, both as respects the amounts set aside and the earnings on such amounts, would provide substantial interest savings to covered self-employed individuals by allowing them to retain the use of funds for a longer period of time.

Principal Features of H. R. 10

Under this bill, self-employed people (including partners) would be allowed to be covered by qualified pension plans. Individuals would be considered self-employed for this purpose if they own more than a 10 percent interest in the business. In general, individuals who have an interest in the business which does not exceed 10 percent would be treated as employees for pension purposes.

Self-employed people with fewer than four employees would be allowed to establish pension plans for themselves without making any provision for the retirement needs of their employees. In such cases, a self-employed individual would be permitted to contribute and deduct contributions for himself up to 10 percent of his self-employment income with a maximum of $2,500 a year. Since self-employment income represents the entire net income from a trade or business, the tax deductions of the self-employed people would be based on income attributable to capital invested in the business as well as on income from personal services.

Self-employed individuals with four or more employees would have to cover their employees under the qualified pension plan in order to secure coverage in the plan for themselves. In such cases, the pension plan would be required to cover all employees, other than part-time and seasonal employees, who have at least three years of service. The covered employees would have to be given nonforfeitable rights to the contributions made for them.

Where the self-employed individuals qualify as having four or more employees, the contributions on their own behalf would not be limited to the 10 percent -- $2,500 allowance. In such cases, a self-employed individual would be permitted to contribute and deduct for himself any amount without limit except that the ratio of his contributions for himself to his self-employment income could not exceed the ratio of contributions to earnings of any of his covered employees. If the self-employed individual's deductible contributions for himself did not exceed one-third of the total deductible contributions, the plan could be coordinated with the social security system by treating the employer's actual social security contributions for himself and his employees as if they were made under the private plan for purposes of determining whether the ratio test is met. Once a self-employed individual qualified as having four or more employees in any year his deductible contributions for himself would no longer be limited to the 10 percent -- $2,500 allowance, even though his employees drop below this number in any subsequent year.

Except in the event of severe disability or death, benefits for self-employed individuals would not be payable before the age of 59-1/2 and would have to begin before the age 70-1/2. The retirement benefits received from the plans by the self-employed individuals would be taxable as ordinary income. Averaging treatment would be accorded lump-sum distributions. In general, the tax on such distributions received after age 59-1/2 would be equal to five times the increase in tax resulting from including in income one-fifth of the distribution. Except in case of disability, distributions of $2,500 or more to self-employed people prior to age 59-1/2 would be taxed at not less than 110 percent of the liability resulting from spreading the distribution over the taxable year and the preceding four years.

Retirement funds could be invested with a bank as trustee or used to purchase retirement annuities from an insurance company or face amount certificates. Custodial accounts could also be set up with banks if the investment is solely in regulated investment company stock. In addition, the self-employed individual could purchase and distribute to his employees in the plan a special nontransferable United States bond redeemable after age 59-1/2 or disability.

The bill would be effective for taxable years beginning after December 31, 1961.

Problems raised by H. R. 10

The Treasury Department recognizes that the present law does not give self-employed people tax treatment for their retirement savings comparable to that now accorded to employees covered by employer financed pension plans. However, H. R. 10 as passed by the House does not provide a satisfactory solution.

If it is to be effective in achieving its objective, any legislation designed to achieve comparable tax advantages for self-employed people under pension plans should at least have the following attributes:

1. It should at least grant approximately the same tax treatment under pension plans to self-employed people and corporate owner-managers. Since the principal justification for granting tax advantages for the retirement savings of the self-employed is that they are not given the pension advantages now received by corporate owners, any legislation which results in treating these groups in a markedly different fashion would merely represent a temporary expedient and not a lasting solution. Moreover, if corporate owner-managers retain important tax advantages over the self-employed

individuals for pension purposes an artificial tax incentive would remain for self-employed people to change their businesses to the corporate form wherever possible in order to secure greater pension advantages. Self-employed individuals who now cannot incorporate would also continue to seek State legislation permitting them to do so.

2. To prevent the use of pension plans to secure undue advantages, there should at least be appropriate limitations on the pension contributions made for self-employed people and corporate owner-managers. At present, despite the nondiscrimination requirements imposed by the law on qualified plans, it is difficult to check abuses which arise when owner-managers of closely held corporations establish pension plans primarily for their own benefit. In some cases, for example, the contributions under the plan may be used mainly to provide substantial benefits to the owner-managers and other employees may receive only nominal benefits or none at all. For example, a plan covering only salaried employees, which is within the purview of Section 401 (a) (5) of the Internal Revenue Code, could result in the coverage of the owner-managers to the exclusion of all other employees. Any

legislation allowing self-employed people to be covered by qualified plans should not create problems of this type for plans covering self-employed people but instead should contain appropriate provisions eliminating these abuses where they now exist.

3. In seeking to remove discrimination against self-employed people, the legislation should not grant them coverage under pension plans under such conditions as would create a counter discrimination against their employees. Historically, the objective of granting favored tax treatment to qualified pension plans has been to encourage the establishment of plans to meet the retirement needs of employees. In order to achieve this objective, the Internal Revenue Code contains an entire set of provisions which were designed to confine the special tax treatment to plans which do not discriminate as to coverage or benefits in favor of owner-managers and highly paid employees as compared with the rank and file of employees. In view of this background it is especially important that any legislation in this field should require self-employed individuals securing pension coverage for themselves to provide comparable coverage for their employees without any arbitrary exclusion of certain groups of employees.

H. R. 10 does not meet these requirements. Its adoption would create new serious discriminations to replace the problems that it seeks to solve by allowing self-employed people to be covered by qualified pension plans. It would result in very substantial differences in tax treatment for pension purposes not only for self-employed individuals as compared with owner-managers of corporations and for self-employed people as compared with their employees but also among self-employed people themselves.

In some situations, self-employed individuals would receive more favorable treatment than corporate owner-managers; in other situations, the reverse would be true. For example, where there are no employees other than the owner, corporate owner-managers would receive more favorable treatment than the self-employed. In such cases, H.R. 10 limits the amounts that a self-employed individual can contribute on his own behalf to 10 percent of his self-employment income or $2,500 a year. In contrast, in accordance with the present provisions of the Code, nondiscriminatory contributions to qualified pension plans on behalf of corporate owner-managers would not be subject to any specific dollar limit.

On the other hand, where there are from one to three employees, H. R. 10 would allow self-employed individuals to secure pension coverage for themselves without making any provision for the retirement needs of their employees. Under present law, the owner-manager of a corporation does not have a comparable privilege. In order to secure pension coverage for himself he would have to establish a nondiscriminatory plan which could not automatically exclude all other employees though it could exclude employees on the basis of a nondiscriminatory classification and seasonal and part-time employees as well as those with not more than five years of service.

Where there are four or more employees besides the owner, both the self-employed individual and the corporate owner-manager would be required to extend coverage under the plan to their employees in order to be covered themselves. However, in such cases, there would be important differences in the qualification rules for the plans established by self-employed persons and plans established by corporations in regard to the conditions under which employees would have to be covered, the rights that employees would have to contributions made on their behalf and the method of coordinating the private pension plan with the social security system.

Besides failing to produce the same tax treatment for self-employed individuals and corporate owner-managers under pension plans, H. R. 10 discriminates against employees when it allows self-employed individuals with fewer than four employees to secure coverage in qualified plans for themselves without making any provision for the retirement needs of their employees. There is no logical basis for such an arbitrary exclusion of employees from the benefits of the pension plans covering the self-employed. Since self-employed individuals very frequently have less than four employees, the practical effect of the exclusion would be to deprive a large number of employees of the benefits of the new pension plans that would be established under the bill.

There also are not adequate safeguards to check abuses in contributions for self-employed people with more than four employees. Under H. R. 10, such individuals would be permitted to make pension contributions for themselves exceeding the

10 percent -- $2,500 limit, presumably on the theory that they would have to grant coverage to such employees and make substantial contributions for them. However, since the contributions to the plan would be based on the self-employment income of the owner, including income from capital invested in the business, and the compensation of the employees, the bulk of such contributions would be made for the owner in those cases where employees earn modest salaries and the owner's self-employment income is large. In such cases, the immediate tax reduction received by the self-employed individuals as a result of the deduction for his own contribution could greatly exceed the contribution made for his employees. Though some part of this tax reduction might be offset by the tax resulting in later years when the pension is received and included in taxable income, the net tax benefits to such a self-employed individual would generally be substantial.

Self-employed individuals, having once qualified for the larger allowances as employers of four or more individuals, can continue to contribute amounts in excess of the 10 percent -- $2,500 limit in subsequent years even if they have no employees in such years. Also, because the bill specifically permits a self-employed individual to exclude from the plan employees who have less than three years of service and at the same time to count them in determining whether he has at least four employees, it would be possible for the self-employed individual to contribute for himself more than the basic 10 percent -- $2,500 amounts without making any contributions on behalf of any other individual. As a result, some self-employed people would be able to deduct annual contributions substantially exceeding $2,500 indefinitely even though they never have any employees who qualify under the plan.

Another important defect of the present bill is that the pension contributions by the self-employed on their own behalf would be based on their self-employment income which generally includes income from capital invested in the business as well as personal service income. This would give self-employed people an important advantage over covered employees since, under present law, pension contributions for covered employees, including owner-managers of corporations, are based on earned income alone.

H. R. 10 would involve a revenue loss amounting to an estimated $358 million annually on a full-year basis. Over one-fourth of this revenue loss would be accounted for by the fact that the bill would allow self-employed people to base their allowable deductions for pension contributions on self-employment income instead of on personal service income alone. These estimates assume that actual deductions for contributions made by self-employed people on their own behalf would be only a part of the maximum allowable, ranging from 15 percent of the maximum for taxpayers with less than $3,000 of income to 66-2/3 percent of the maximum for those with more than $20,000 of income. Particularly in view of the present budgetary situation, it would clearly not be appropriate to incur a revenue loss of this magnitude for legislation which would not constitute an adequate solution to the tax treatment of the retirement savings of self-employed people.

Because of these compelling considerations, the Treasury Department is opposed to the enactment of H. R. 10. Though it seeks to equalize the tax treatment of retirement savings, the bill creates many inequities and unjustifiable differences in tax treatment. As you know, the President has directed the Treasury to undertake the research and preparation of a comprehensive tax reform program to be submitted to the Congress next year. A major aspect of this program will be a broadened and more equitable tax base and reconsideration of the rate structure. We believe that the problem which H. R. 10 seeks to meet should more appropriately be considered in connection with such a general tax program so that this problem could be evaluated in the context of the entire program. At the same time this would permit consideration of the problem in the light of a general examination of issues in the pension and retirement area and in the context of the rate structure that may result from a re-examination of the existing structure. Accordingly, the Department recommends that legislation dealing with the tax treatment of the retirement savings of self-employed people be deferred until it can be considered in the perspective of the entire tax reform program.

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

	Apr. 12, 1961	Dec. 31, 1960	Mar. 15, 1960	Increase or decrease since Dec. 31, 1960		Increase or decrease since Mar. 15, 1960	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	61,274,612	63,131,263	60,223,228	-1,856,651	-2.94	1,051,384	1.75
Time	38,922,341	36,761,292	34,182,165	2,161,049	5.88	4,740,176	13.87
Deposits of U. S. Government	1,568,138	3,448,244	2,717,522	-1,880,106	-54.52	-1,149,384	-42.30
Postal savings deposits	8,206	8,300	8,457	-94	-1.13	-251	-2.97
Deposits of States and political subdivisions	9,187,440	9,297,327	7,925,607	-109,887	-1.18	1,261,833	15.92
Deposits of banks	8,611,099	10,439,491	8,226,436	-1,828,392	-17.51	384,663	4.68
Other deposits (certified and officers' checks, etc.)	1,492,826	1,824,934	1,416,171	-332,108	-18.20	76,655	5.41
Total deposits	121,064,662	124,910,851	114,699,586	-3,846,189	-3.08	6,365,076	5.55
Rediscounts, and other liabilities for borrowed money	686,157	110,590	1,559,321	575,567	520.45	-873,164	-56.00
Other liabilities	3,003,841	3,141,088	2,619,138	-137,247	-4.37	384,703	14.69
Total liabilities, excluding capital accounts	124,754,660	128,162,529	118,878,045	-3,407,869	-2.66	5,876,615	4.94
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,457,622	3,341,320	3,240,119	116,302	3.48	217,503	6.71
Preferred	1,472	1,530	3,037	-58	-3.79	-1,565	-51.53
Total	3,459,094	3,342,850	3,243,156	116,244	3.48	215,938	6.66
Surplus	5,572,040	5,446,143	5,110,791	125,897	2.31	461,249	9.03
Undivided profits	2,047,520	2,030,052	1,850,560	17,468	.86	196,960	10.64
Reserves	267,531	279,293	241,406	-11,762	-4.21	26,125	10.82
Total surplus, profits and reserves	7,887,091	7,755,488	7,202,757	131,603	1.70	684,334	9.50
Total capital accounts	11,346,185	11,098,338	10,445,913	247,847	2.23	900,272	8.62
Total liabilities and capital accounts	136,100,845	139,260,867	129,323,958	-3,160,022	-2.27	6,776,887	5.24
RATIOS:	Percent	Percent	Percent				
U.S. Gov't securities to total assets	23.77	23.49	22.96				
Loans & discounts to total assets	46.73	45.74	46.67				
Capital accounts to total deposits	9.37	8.89	9.11				

NOTE: Minus sign denotes decrease.

Statement showing comparison of principal items of assets and liabilities of active national banks as of April 12, 1961, December 31, 1960 and March 15, 1960

(In thousands of dollars)

	Apr. 12, 1961	Dec. 31, 1960	Mar. 15, 1960	Increase or decrease since Dec. 31, 1960		Increase or decrease since Mar. 15, 1960	
				Amount	Percent	Amount	Percent
Number of banks	4,523	4,530	4,541	-7		-18	
ASSETS							
Commercial and industrial loans	23,629,812	23,979,387	22,626,857	-349,575	-1.46	1,002,955	4.43
Loans on real estate	15,546,391	15,534,206	15,188,117	12,185	.08	358,274	2.36
Loans to financial institutions	4,412,882	4,279,954	4,681,984	132,928	3.11	-269,102	-5.75
All other loans	21,342,176	21,206,658	19,082,959	135,518	.64	2,259,217	11.84
Total gross loans	64,931,261	65,000,205	61,579,917	-68,944	-.11	3,351,344	5.44
Less valuation reserves	1,335,382	1,306,537	1,224,894	28,845	2.21	110,488	9.02
Net loans	63,595,879	63,693,668	60,355,023	-97,789	-.15	3,240,856	5.37
U. S. Government securities:							
Direct obligations	32,228,779	32,615,321	29,639,498	-386,542	-1.19	2,589,281	8.74
Obligations fully guaranteed	122,019	96,402	53,702	25,617	26.57	68,317	127.22
Total U. S. securities	32,350,798	32,711,723	29,693,200	-360,925	-1.10	2,657,598	8.95
Obligations of States and political subdivisions	9,927,654	9,408,711	9,020,152	518,943	5.52	907,502	10.06
Other bonds, notes and debentures	1,325,874	1,407,576	1,403,833	-81,702	-5.80	-77,959	-5.55
Corporate stocks, including stocks of Federal Reserve banks	333,660	324,184	306,750	9,476	2.92	26,910	8.77
Total securities	43,937,986	43,852,194	40,423,935	85,792	.20	3,514,051	8.69
Total loans and securities	107,533,865	107,545,862	100,778,958	-11,997	-.01	6,754,907	6.70
Currency and coin	1,855,804	1,721,492	1,596,856	134,312	7.80	258,948	16.22
Reserve with Federal Reserve banks	10,148,726	10,641,581	11,088,277	-492,855	-4.63	-939,551	-8.47
Balances with other banks	13,435,586	16,311,433	13,183,068	-2,875,847	-17.63	252,518	1.92
Total cash, balances with other banks, including reserve balances and cash items in process of collection	25,440,116	28,674,506	25,868,201	-3,234,390	-11.28	-428,085	-1.65
Other assets	3,126,864	3,040,499	2,676,799	86,365	2.84	450,065	16.81
Total assets	136,100,845	139,260,867	129,323,958	-3,160,022	-2.27	6,776,887	5.24

purpose of purchasing or carrying stocks, bonds, and other securities of $1,757,000,(increased $179,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $12,736,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,335,382,000) to total assets on April 12, 1961 was 46.73 in comparison with 46.67 in March 1960.

Total investments of the banks in bonds, stocks, and other securities aggregated $43,938,000,000. Included in the investments were obligations of the United States Government of $32,351,000,000 ($122,019,000 of which were guaranteed obligations). These investments, representing 23.77 percent of total assets, showed an increase of $2,658,000,000 since March 15, 1960. Other bonds, stocks, and securities of $11,587,000,000, including $9,928,000,000 of obligations of States and other politic subdivisions, showed an increase of $856,000,000.

Cash of $1,856,000,000, reserves with Federal Reserve banks of $10,149,000,000, and balances with other banks (including cash items in process of collection) of $13,435,000,000, a total of $25,440,000,000, showed a decrease of $428,000,000.

Rediscounts and other liabilities for borrowed money of $686,000,000 showed a decrease of $873,000,000 in the period.

Total capital funds of the banks on April 12, 1961 of $11,346,000,000, equal to 9.37 percent of total deposits, were $900,000,000 more than in March 1960 when they were 9.11 percent of total deposits. Included in the capital funds were capital stock of $3,459,000,000, of which $1,472,000 was preferred stock; surplus of $5,572,000,000; undivided profits of $2,047,000,000 and capital reserves of $268,000,000.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

July 26, 1961

RELEASE A.M. NEWSPAPERS
THURSDAY, JULY 27, 1961

COMPTROLLER OF THE CURRENCY REPORTS TOTAL ASSETS AND LIABILITIES OF ACTIVE NATIONAL BANKS ON APRIL 12, 1961

The total assets of the 4,523 active national banks in the United States and possessions on April 12, 1961 amounted to $136,100,000,000, it was announced today by Comptroller of the Currency Ray M. Gidney. The total assets showed an increase of $6,800,000,000 over the amount reported by the 4,541 banks on March 15, 1960.

The deposits of the banks on April 12, 1961 were $121,000,000,000, an increase of $6,365,000,000 in the period. Included in the deposit figures were demand deposits of individuals, partnerships, and corporations of $61,000.000.000, an increase of more than $1,000,000,000, and time deposits of individuals, partnerships, and corporations of $39,000,000,000, an increase of $4,740,000,000. Deposits of the United States Government of $1,568,000,000 decreased $1,149,000,000; deposits of States and political subdivisions of nearly $9,200,000,000 increased $1,262,000,000; and deposits of banks of $8,611,000,000 showed an increase of $385,000,000. Postal savings deposits were $8,206,000 and certified and officers' checks, etc. were $1,493,000.000.

Gross loans and discounts on April 12, 1961 of $65,000,000,000 showed an increase of $3,351,000,000 over March 15, 1960. Commercial and industrial loans amounted to $23,630,000,000 and increased more than $1,000,000,000 during the year, while loans on real estate of $15,546,000,000 increased $358,000,000. Loans to financial institutions amounted to $4,413,000,000, a decrease of $269,000,000. Retail automobile installment loans of $4,893,000,000 showed an increase of $306,000,000. Other types of retail installment loans of $1,956,000,000 showed an increase of $384,000,000. Loans to brokers and dealers in securities and to others for the

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Comparison of principal items of assets and liabilities of active national banks - Continued
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Total capital accounts	11,346,185	11,098,338	10,445,913	247,847	2.23	900,272	8.62
Total liabilities and capital accounts	136,100,845	139,260,867	129,323,958	-3,160,022	-2.27	6,776,887	5.24
RATIOS:	Percent	Percent	Percent				
U.S. Gov't securities to total assets	23.77	23.49	22.96				
Loans & discounts to total assets	46.73	45.74	46.67				
Capital accounts to total deposits	9.37	8.89	9.11				

NOTE: Minus sign denotes decrease.

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 May 4, 1961, (91 days remaining until maturity date on November 2, 1961) 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 August 3, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 3, 1961. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

Exhibit 2-A

~~XXXXXXXXXXXX~~

TREASURY DEPARTMENT
Washington

July 26, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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 August 3, 1961 (3), in the amount of $ 1,701,144,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued August 3, 1961 (6), in the amount of $ 1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated May 4, 1961 (8), and to mature November 2, 1961 (9), originally issued in the amount of $ 600,356,000 / (10) (including $100,104,000 issued June 14, 1961), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 600,000,000 (12), or thereabouts, to be dated August 3, 1961 (13), and to mature February 1, 1962 (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 time, Monday, July 31, 1961 (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

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

FOR IMMEDIATE RELEASE July 26, 1961

TREASURY'S WEEKLY BILL OFFERING

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 August 3, 1961 in the amount of \$ 1,701,144,000 as follows:

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Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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forgeries of money, Government checks, bonds and other securities, which are the special responsibilities of the Secret Service. Also, Chief Baughman has launched new and more intensified training programs for members of the Secret Service.

The Treasury head also praised the Chief for promoting closer cooperation with local and State enforcement agencies within the United States, and effective coordination with world-famous police organizations of other nations.

The Treasury Secretary concluded by telling Chief Baughman he had "earned the respect and admiration of the men you have led."

A biography of Chief Baughman is attached.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE July 28, 1961

SECRET SERVICE CHIEF RECEIVES HIGH AWARD
FROM SECRETARY DILLON

Treasury Secretary Douglas Dillon today conferred the Department's most coveted honor -- the Exceptional Service Award -- upon U. E. Baughman, retiring Chief of the U. S. Secret Service, calling him "one of the world's best and most successful law enforcement officers."

The award was made by Secretary Dillon at 12:30 p.m. today, with Secret Service and Treasury representatives and members of Chief Baughman's family present.

The Treasury's Exceptional Service Award -- manifested by a gold medal, a lapel device and an inscribed certificate signed by the Secretary of the Treasury -- is conferred only upon those Treasury employees who distinguish themselves by exceptionally valuable service within or beyond their required duties.

Among the standards for this award are two which Chief Baughman has particularly displayed during his 13-year term as head of the Secret Service, Secretary Dillon said. These are demonstrations of outstanding courage and voluntary risk of personal safety in the face of danger, and the development and improvements of methods and procedures which accomplished extraordinary results for the Treasury Department.

Secretary Dillon said Chief Baughman's best known job was that of protecting the President.

"You and your agents have carried out this exacting assignment in more corners of the globe than during any other comparable period.

"The proof of how well you have done your job is clear: although they have been subjected to threats and even attacks, your distinguishe charges have come through safe and unharmed."

Secretary Dillon congratulated Chief Baughman for his contribution to the Secret Service in less dramatic but none the less effective ways The development and use of new detection techniques has resulted in tighter enforcement during a period characterized by a sharply rising crime rate, including those crimes connected with counterfeiting and

TREASURY DEPARTMENT 475

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE July 28, 1961

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forgeries of money, Government checks, bonds and other securities, which are the special responsibilities of the Secret Service. Also, Chief Baughman has launched new and more intensified training programs for members of the Secret Service.

The Treasury head also praised the Chief for promoting closer cooperation with local and State enforcement agencies within the United States, and effective coordination with world-famous police organizations of other nations.

The Treasury Secretary concluded by telling Chief Baughman he had "earned the respect and admiration of the men you have led."

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TREASURY DEPARTMENT 477

WASHINGTON, D.C.

July 28, 1961

IMMEDIATE RELEASE

TREASURY DECISION ON RAYON STAPLE FIBER
UNDER THE ANTIDUMPING ACT.

The Treasury Department has determined that rayon staple fiber from Japan is not being, nor likely to be, sold in the United States at less than fair value withing the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

The dollar value of imports of rayon staple fiber received from Japan during 1960 was approximately $370,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 28, 1961

IMMEDIATE RELEASE

TREASURY DECISION ON RAYON STAPLE FIBER
UNDER THE ANTIDUMPING ACT.

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The dollar value of imports of rayon staple fiber received from Japan during 1960 was approximately $370,000.

(2) Section 6038 (b) (relating to effect of failure to furnish information required by section 6038 (a)) is amended by inserting before "the amount of taxes paid or deemed paid" in the first sentence the following: "and in applying section 957 (relating to foreign tax credit for corporate shareholders of controlled foreign corporation) to such domestic corporation for any taxable year,".

(c) Effective Date.--The amendments made by this section shall apply with respect to annual accounting periods of foreign corporations beginning after December 31, 1961, and to taxable years in which or with which such annual accounting periods end.

"(2) In applying the first sentence of subparagraphs (A) and (B), and in applying subdivision (i) of subparagraph (C), of section 318 (a) (2), if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of a corporation, it shall be considered as owning all of the outstanding stock of such corporation.

"(3) In applying subparagraph (C) of section 318 (a) (2)--

"(A) For purposes of subdivision (i) thereof, the 50 percent limitation contained in subparagraph (C) shall not apply; and

"(B) For purposes of subdivision (ii) thereof, a 5 percent limitation shall apply in lieu of the 50 percent limitation contained in subparagraph (C), and stock owned by a corporation by reason of the application of subdivision (ii) shall not be considered as owned by it for purposes of applying subdivision (i) in order to make another the constructive owner of such stock.

"(b) Technical and Clerical Amendments.--

(1) Section 901 (relating to foreign tax credit) is amended by striking out "section 902" and inserting in lieu thereof "sections 902 and 957".

"(2) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 955 and which is attributable to undistributed tax haven profits of the controlled foreign corporation which were included in his gross income for the taxable year referred to in paragraph (1),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

"SEC. 959. RULES FOR DETERMINING STOCK OWNERSHIP.

"(a) Section 318 (a)(relating to constructive ownership of stock) shall apply to the extent that the effect is to make a foreign corporation a controlled foreign corporation under section 952, is to make a person taxable under section 953 (a) (3), or is to make persons related persons under section 954 (d) except--

"(1) In applying paragraph (1) (A), subdivision (ii) shall be deemed to apply to the individual's brothers and sisters (whether by the whole or half blood), ancestors, and lineal descendants.

"(1) the amount by which the applicable limitation under section 904 (a) for the taxable year referred to in subsection (a) (1) was increased by reason of the inclusion in gross income of the amount of undistributed tax haven profits of the controlled foreign corporation included under section 953 (a) (1) and the amount, if any, included in gross income under section 957 (a) with respect to the amount so included under section 953 (a) (1), reduced by

"(2) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in subsection (a) (1) and which would not have been allowable but for the inclusion in gross income of the amounts described in paragraph (1) of this subsection.

"(c) Cases in Which Taxes Not to be Allowed as Deduction.--In the case of any taxpayer who--

"(1) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 953 (a) (1) to include in his gross income the undistributed tax haven profits of a controlled foreign corporation, and income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

"(2) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 955 and which is attributable to undistributed tax haven profits of the controlled foreign corporation which were included in his gross income for the taxable year referred to in paragraph (1), and

"(3) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in subsection (b), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

"(b) Amount of Increase.--The amount of increase of the applicable limitation under section 904 (a) for the taxable year in which the distribution or amount referred to in subsection (a) (2) is received shall be an amount equal to--

"(2) Taxes paid by foreign corporation and not deemed paid by domestic corporation.--Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 955 shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under subsection (a) for any prior taxable year.

"SEC. 958. SPECIAL RULES FOR FOREIGN TAXES PAID IN YEAR OF RECEIPT OF PREVIOUSLY TAXED EARNINGS AND PROFITS OF CONTROLLED FOREIGN CORPORATIONS.

"(a) Increase in Section 904 Limitation.--In the case of any taxpayer who--

"(1) either (A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 953 (a) (1) to include in his gross income the undistributed tax haven profits of a controlled foreign corporation, or (B) did not pay or accrue for such taxable year any then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid, if paragraph (1) and section 902 (b) apply) to a foreign country or possession of the United States for the annual accounting period which the amount of such undistributed tax haven profits bears to the amount of the total earnings and profits. Taxes deemed paid under this subsection shall be included in gross income in the same manner as amounts described in section 953 (a) (1).

"(b) Application of Section 902.--

"(1) Taxes deemed paid by domestic corporation.--If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 955, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902 to the extent such taxes were deemed paid by such domestic corporation under subsection (a) for any prior taxable year.

"(1) In general.--Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States person receives an amount which is excluded from gross income under section 955 (a) shall be reduced by the amount so excluded.

"(2) Amount in excess of basis.--To the extent that an amount excluded from gross income under section 955 (a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

"SEC. 957. TAXES DEEMED PAID BY CORPORATE UNITED STATES PERSONS.

"(a) Taxes Paid by a Foreign Corporation.--For purposes of subpart A of this part, if there is included, under section 953 (a) (1), in the gross income of a domestic corporation the undistributed tax haven profits--

"(1) of a foreign corporation 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"(2) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation, to such United States person.

"(c) Special Rule.--For purposes of applying subsection (a) or (b) the Secretary or his delegate may by regulations prescribe rules for tracing, through a chain of ownership described in section 953 (a) (2), undistributed tax haven profits for an annual accounting period of a controlled foreign corporation which have once been included in the gross income of a United States person.

"SEC. 956. ADJUSTMENTS TO BASIS OF STOCK IN CONTROLLED FOREIGN CORPORATIONS AND OF OTHER PROPERTY.

"(a) Increase in Basis.--Under regulations prescribed by the Secretary or his delegate, the basis of a United States person's stock in a controlled foreign corporation, and the basis of property of a United States person by reason of which he is considered under section 953 (a) (2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 953 (a) (1) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount is included in gross income in the return of such person, increased or decreased by any adjustment of such amount in any redetermination of his tax liability.

"(b) Reduction in Basis.--

annual period on the basis of which such corporation regularly computes its income in keeping its books.

"SEC. 955. EXCLUSION FROM GROSS INCOME AND TAX HAVEN PROFITS OF PREVIOUSLY TAXED EARNINGS AND PROFITS.

"(a) Exclusion from Gross Income.--For purposes of this chapter, the undistributed tax haven profits for an annual accounting period of a foreign corporation which are once included in the gross income of a United States person under section 953 (a) (1) shall not, when distributed to such person directly or indirectly through a chain of ownership described under section 953 (a) (2), be again included in the gross income of such United States person. For purposes of this chapter, any amount excluded from gross income under this subsection shall be treated by the taxpayer as a distribution which is not a dividend.

"(b) Exclusion from Tax Haven Profits.--For purposes of section 953 (a) (1), the undistributed tax haven profits for an annual accounting period of a controlled foreign corporation which are once included in the gross income of a United States person under section 953 (a) (1) shall not, when distributed through a chain of ownership described under section 953 (a) (2), be also included in the tax haven profits of another controlled foreign corporation in such chain for purposes of the application of section 953 (a) (1) to such other controlled foreign corporation with respect

"(1) such persons are an individual, estate, trust, or partnership, and a corporation and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of such corporation is owned, directly or indirectly, by or for such individual, estate, trust, or partnership;

"(2) such persons are two corporations, one of which owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation; and

"(3) such persons are corporations and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of one corporation, and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation are owned, directly or indirectly, by or for the same persons.

"(e) Annual Accounting Periods.--For purposes of this subpart, the annual accounting period of any foreign corporation is the

"(6) Insurance or reinsurance.--The insurance or reinsurance of United States risks which, if they materialized, would result directly or indirectly in compensation to a related person.

"(d) Related Persons.--For purposes of this section, two persons are related if--

"(1) such persons are an individual, estate, trust, or partnership, and a corporation and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of such corporation is owned, directly or indirectly, by or for such individual, estate, trust, or partnership;

"(2) such persons are two corporations, one of which owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation; and

"(3) such persons are corporations and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of one corporation, and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation are owned, directly or indirectly, by or for the same persons.

"(e) Annual Accounting Periods.--For purposes of this subpart, the annual accounting period of any foreign corporation is the

"(2) Rentals and royalties.--The receipt of rentals, royalties, or similar amounts for the use of, or for the privilege of using, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, motion picture films, television tapes, or other rights or property (whether real or personal), outside the country under the laws of which the controlled foreign corporation is created or organized if such amounts are received from any person (whether or not related),

"(A) with respect to rights or property acquired by the controlled foreign corporation from a related person, or

"(B) with respect to motion picture films, television tapes, or recordings.

"(3) Interest.--The receipt of interest on bonds, notes, or other interest-bearing obligations of related persons.

"(4) Dividends.--The receipt of dividends from a corporation which is a related person except as provided in section 955 (b).

"(5) Personal services.--The performance or furnishing of technical, managerial, engineering, architectural, scientific, skilled, or like services performed outside the country in which the controlled foreign corporation is created or organized--

"(A) if such services are performed or furnished for or on behalf of a related person, or

"(B) if such services are substantially managed or directed by officers or employees transferred from a related person.

controlled foreign corporation to processing, manufacturing, or assembling if the cost (other than the cost of purchased materials) of such processing, manufacturing, or assembling, is less than 20 percent of the amounts realized from the sales of the resulting product.

"(ii) Product of processing, manufacturing, or assembling by a related person.--Subdivision (i) of subparagraph (A) shall not apply to the purchase of personal property from a related person, created or organized in the same country as is the controlled foreign corporation, and the sale of such property if it is the product of processing, manufacturing, or assembling in such country by such related person and if the cost (other than the cost of purchased materials) of such processing, manufacturing, or assembling is at least 20 percent of the amounts realized from the sales of such product by the controlled foreign corporation.

"(iii) Agricultural products.--Subdivision (ii) of subparagraph (A) shall not apply to the purchase or other acquisition of personal property and its sale to a related person if such personal property consists of agricultural or horticultural products of the foreign country under the laws of which the controlled foreign corporation is created or organized.

"(c) Tax Haven Transaction.--For purposes of this subpart the term 'tax haven transaction' means:

"(1) Purchase or sale of personal property.--

"(A) Purchase and sale--

"(i) The purchase or other acquisition of personal property from a related person and its sale, or

"(ii) the purchase or other acquisition of personal property and its sale to a related person,

if such property is sold for ultimate use, consumption, or disposition outside the country under the laws of which the controlled foreign corporation is created or organized.

"(B) Commissions.--Services performed for a related person in connection with--

"(i) the sale of personal property, or

"(ii) the purchase of personal property,

if such property is sold or purchased for ultimate use, consumption, or disposition outside the country under the laws of which the controlled foreign corporation is created or organized.

"(C) Special rules.--

"(i) Products of processing, manufacturing, or assembling by the controlled foreign corporation.--For purposes of subparagraph (A), the purchase or other acquisition of personal property and its sale shall include the purchase of raw materials or manufactured products which are subjected by the or his delegate, as an amount distributed to such person as a dividend by the controlled foreign corporation on the last day of the annual accounting period of such corporation.

"SEC. 954. DEFINITIONS.

"(a) United States Person.--For purposes of this subpart, the term 'United States person' means--

"(1) an individual who is a citizen or resident of the United States,

"(2) a domestic corporation,

"(3) a domestic partnership, or

"(4) an estate or trust (other than an estate or trust the gross income of which under this subtitle includes only income from sources within the United States).

"(b) Undistributed Tax Haven Profits.--

"(1) Tax haven profits.--For purposes of this subpart, the term 'tax haven profits' for an annual accounting period of a controlled foreign corporation means the amount of its earnings and profits for such period (determined without regard to distributions) which is attributable to tax haven transactions.

"(2) Undistributed tax haven profits.--For purposes of this subpart, the term 'undistributed tax haven profits' of a controlled foreign corporation for an annual accounting period is an amount which bears the same ratio to the total undistributed earnings and profits for such period as the tax haven profits for such period bear to total earnings and profits for such period (determined without regard to distributions).

he owns through one or more foreign corporations, foreign partnerships, or estates or trusts (the gross income of which under this subtitle includes only income from sources within the United States). For purposes of the preceding sentence, stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or an estate or trust (the gross income of which under this subtitle includes only income from sources within the United States) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

"(3) Less than 10 percent ownership.--No person shall be required to include any amount in gross income under paragraph (1) unless he can be considered, by applying the rules of constructive ownership of section 959, as owning, directly or indirectly, 10 percent or more of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the controlled foreign corporation.

"(b) Treatment as Dividends.--Any amount included in the gross income of a United States person under subsection (a) for any taxable year shall be treated, except for purposes of section 902 (other than section 902 (b) if section 957 (a) (1) applies) and except as provided in regulations prescribed by the Secretary

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"(1) Amount included.--If a foreign corporation is a controlled foreign corporation on any day of an annual accounting period beginning after December 31, 1961, every United States person who has a direct or indirect interest (as described in paragraph (2)) in such corporation on the last day in such period on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such period ends, that portion of the corporation's undistributed tax haven profits for such period which is equal to the amount that would have been distributed with respect to such direct or indirect interest if on such last day there had been distributed pro rata to its shareholders by the corporation an amount which bears the same ratio to such undistributed tax haven profits as the part of such period during which the corporation is a controlled foreign corporation bears to the entire period.

"(2) Direct or indirect interest.--For purposes of paragraph (1), a direct interest in a controlled foreign corporation consists of stock in such corporation which a United States person owns directly, and an indirect interest consists of stock in a controlled foreign corporation which

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"SEC. 951. UNDISTRIBUTED TAX HAVEN PROFITS OF CONTROLLED FOREIGN CORPORATIONS TAXED TO CERTAIN UNITED STATES PERSONS.

"The undistributed tax haven profits of a controlled foreign corporation shall be included in the gross income of United States persons owning a direct or indirect interest in such corporation in the manner and to the extent set forth in this subpart.

"SEC. 952. CONTROLLED FOREIGN CORPORATIONS.

"For purposes of this subpart, the term 'controlled foreign corporation' means any foreign corporation--

"(1) of which more than 50 percent of--

"(A) the total combined voting power of all classes of stock entitled to vote, or

"(B) the total value of shares of all classes of stock

is owned, directly or indirectly (within the meaning of section 959), by no more than 5 United States persons on any day during the annual accounting period of such foreign corporation, and

"(2) which for its annual accounting period is not a foreign personal holding company (as defined in section 552).

"SEC. 953. AMOUNTS INCLUDED IN GROSS INCOME OF UNITED STATES PERSONS.

"(a) Undistributed Tax Haven Profits.--

July 28, 1961

Tentative Draft of Bill to Impose Income Tax on U. S. Taxpayers Deriving Tax Haven Profits through Controlled Foreign Corporations

SEC. . CONTROLLED FOREIGN CORPORATIONS.

(a) Tax on United States Shareholders.--Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

"Subpart F - Controlled Foreign Corporations

"Sec. 951. Undistributed tax haven profits of controlled foreign corporations taxed to certain United States persons.

"Sec. 952. Controlled foreign corporations.

"Sec. 953. Amounts included in gross income of United States persons.

"Sec. 954. Definitions.

"Sec. 955. Exclusion from gross income and tax haven profits of previously taxed earnings and profits.

"Sec. 956. Adjustments to basis of stock in controlled foreign corporations and of other property.

"Sec. 957. Taxes deemed paid by corporate United States persons.

"Sec. 958. Special rules for foreign taxes paid in year of receipt of previously taxed earnings and profits of controlled foreign corporations.

"Sec. 959. Rules for determining stock ownership.

(7) Tax haven insurance. ~~subsidiary~~. Income derived by a controlled foreign corporation from insurance or reinsurance of risks situated in the United States, if a related entity is the potential beneficiary of such insurance or reinsurance.

The tax treatment to be accorded income derived by a controlled foreign corporation engaged in construction abroad or international transport is still under study.

~~The types of foreign corporations listed often involve distortions of the normal patterns of trade and investment with the object of insulating income from U.S. tax. Since the object of the suggested legislation is to impose tax in such situations, the draft bill would not apply to the income of all controlled foreign corporations.~~ The draft ~~It~~ would not be applicable ~~for example~~, to the profits of a foreign subsidiary corporation which purchased products from a related entity if the products were used in further manufacturing, provided the value added by such manufacturing equalled 20 percent or more of the value of the finished product.

Provision is made in the draft for the allowance of a credit to U.S. corporations for the income taxes paid by the controlled foreign corporation, along the lines allowed under existing law. The undistributed tax haven income of a controlled foreign corporation which has once been taxed would not again be taxed upon distribution to shareholders.

TEXT OF THE TENTATIVE DRAFT OF suggested legislation is attached.

(2) Tax haven purchasing, ~~subsidiary.~~ Income derived by a controlled foreign corporation from the purchase of goods and its sale to a related entity for use outside the country in which the controlled foreign corporation was created.

(3) Tax haven commissions ~~subsidiary.~~ Commissions derived by a controlled foreign corporation from transactions similar to those described in (1) and (2) above except that it acts as an agent or broker instead of on its own account.

(4) Tax haven licensing. ~~subsidiary.~~ Income derived by a controlled foreign corporation from rentals or royalties for the use of patents, copyrights, trade-marks, or other property outside the country in which the company was created, if the rights or property were acquired from a related entity, and in the case of motion picture films, television tapes and recordings, irrespective of whether they were acquired from a related entity.

(5) Tax haven holding company income. Income derived by a controlled foreign corporation from the holding of stocks or securities ~~of~~ in related companies. ~~in other countries.~~

(6) Tax haven service income. ~~subsidiary.~~ Income derived by a controlled foreign corporation from furnishing or performing technical, managerial, engineering or similar services if such services are supplied to, or on behalf of, a related entity, or if such services are managed or directed by officers or employees transferred for this purpose from a related entity.

Under the suggested legislation, income tax would apply to a U. S. shareholder owning 10 percent or more of the stock of a foreign corporation which is controlled by five U. S. shareholders or fewer. A controlled foreign corporation would be one in which these U. S. shareholders owned more than ~~controlled~~ 50 percent ~~or more~~ of the stock. For the purpose of determining both control of a corporation and a 10 percent interest in a corporation, constructive rules of stock ownership similar to those now in the income tax law (sec. 318 and 544), would be applied to stock owned by closely related members of a family or by corporations under common control.

Only those profits of a controlled foreign corporation would be taxable to the U. S. shareholders which arise out of tax haven transactions, so that part of the profits of a controlled foreign corporation may be taxable currently and part may be subject to continued tax deferral. In general, tax haven transactions are those between related enterprises in which one of the parties to the transaction derives its income from sources outside the country in which it is created. A foreign corporation which engages in manufacturing activity abroad would not be considered as engaging in tax haven transactions.

The following ~~types~~ of income would be treated as being derived from tax haven transactions:

(1) Tax haven exports ~~subsidiary~~. Income derived by a controlled foreign corporation from the purchase of goods from a related entity ~~corporation~~ and the sale of such goods for use outside the country in which the controlled foreign corporation is created.

The draft attempts to identify in specific terms the type of transactions typically regarded as being of a "tax haven" variety, in that they involve a corporation created in a foreign country which characteristically derives its income from sources outside that country. A corporation of this type thus constitutes a buffer between such income and the U. S. parent corporation by means of which it is hoped to immunize the income from U. S. tax.

~~FOR RELEASE~~ Immediate Release

July 28, 1961

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TREASURY RELEASES DRAFT OF PROPOSED
"TAX HAVEN" LEGISLATION

A tentative draft of suggested legislation calling for a current tax on the income of U. S. shareholders derived through controlled foreign corporations engaging in "tax haven" transactions was made public by the Treasury Department today. The draft was released by the Secretary of the Treasury at the request of the Ways and Means Committee of the House of Representatives.

The Treasury and the Committee will welcome comments to aid in the Committee's further study of this subject. The proposals in the draft were submitted to the Committee for legislative consideration. They constituted a revision of the Treasury's original proposals, and were prepared in the light of testimony presented to the Committee during the hearings on the Treasury's original proposal.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 28, 1961

IMMEDIATE RELEASE

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Under the suggested legislation income tax would apply to a U. S. shareholder owning 10 percent or more of the stock of a foreign corporation which is controlled by five U. S. shareholders or fewer. A controlled foreign corporation would be one in which these U. S. shareholders owned more than 50 percent of the stock. For the purpose of determining both control of a corporation and a 10 percent interest in a corporation, constructive rules of stock ownership similar to those now in the income tax law (sec. 318 and 544), would be applied to stock owned by closely related members of a family or by corporations under common control.

Only those profits of a controlled foreign corporation would be taxable to the U. S. shareholders which arise out of tax haven transactions, so that part of the profits of a controlled foreign corporation may be taxable currently and part may be subject to

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continued tax deferral. In general, tax haven transactions are those between related enterprises in which one of the parties to the transaction derives its income from sources outside the country in which it is created. A foreign corporation which engages in manufacturing activity abroad would not be considered as engaging in tax haven transactions.

The following types of income would be treated as being derived from tax haven transactions:

(1) Tax haven exports. Income derived by a controlled foreign corporation from the purchase of goods from a related entity and the sale of such goods for use outside the country in which the controlled foreign corporation is created.

(2) Tax haven purchasing. Income derived by a controlled foreign corporation from the purchase of goods and its sale to a related entity for use outside the country in which the controlled foreign corporation was created.

(3) Tax haven commissions. Commissions derived by a controlled foreign corporation from transactions similar to those described in (1) and (2) above except that it acts as an agent or broker instead of on its own account.

(4) Tax haven licensing. Income derived by a controlled foreign corporation from rentals or royalties for the use of patents, copyrights, trade-marks, or other property outside the country in which the company was created, if the rights or property were acquired from a related entity, and in the case of motion picture films, television tapes and recordings, irrespective of whether they were acquired from a related entity.

(5) Tax haven holding company income. Income derived by a controlled foreign corporation from the holding of stock or securities in related companies.

(6) Tax haven service income. Income derived by a controlled foreign corporation from furnishing or performing technical, managerial, engineering or similar services if such services are supplied to, or on behalf of, a related entity, or if such services are managed or directed by officers or employees transferred from a related entity for this purpose.

(7) Tax haven insurance. Income derived by a controlled foreign corporation from insurance or reinsurance of risks situated in the United States, if a related entity is the potential beneficiary of such insurance or reinsurance.

The tax treatment to be accorded income derived by a controlled foreign corporation engaged in construction abroad or international transport is still under study.

The draft would not be applicable to the profits of a foreign subsidiary corporation which purchased products from a related entity if the products were used in further manufacturing, provided the value added by such manufacturing equalled 20 percent or more of the value of the finished product.

Provision is made in the draft for the allowance of a credit to U. S. corporations for the income taxes paid by the controlled foreign corporation, along the lines allowed under existing law. The undistributed tax haven income of a controlled foreign corporation which has once been taxed would not again be taxed upon distribution to shareholders.

Text of the tentative draft of suggested legislation is attached.

July 28, 1961

Tentative Draft of Bill to Impose Income Tax on U. S. Taxpayers Deriving Tax Haven Profits through Controlled Foreign Corporations

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SEC. CONTROLLED FOREIGN CORPORATIONS.

(a) Tax on United States Shareholders.--Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

"Subpart F - Controlled Foreign Corporations

"SEC. 951. UNDISTRIBUTED TAX HAVEN PROFITS OF CONTROLLED FOREIGN CORPORATIONS TAXED TO CERTAIN UNITED STATES PERSONS.

"The undistributed tax haven profits of a controlled foreign corporation shall be included in the gross income of United States persons owning a direct or indirect interest in such corporation in the manner and to the extent set forth in this subpart.

"SEC. 952. CONTROLLED FOREIGN CORPORATIONS.

"For purposes of this subpart, the term 'controlled foreign corporation' means any foreign corporation--

"(1) of which more than 50 percent of--

"(A) the total combined voting power of all classes of stock entitled to vote, or

"(B) the total value of shares of all classes of stock

is owned, directly or indirectly (within the meaning of section 959), by no more than 5 United States persons on any day during the annual accounting period of such foreign corporation, and

"(2) which for its annual accounting period is not a foreign personal holding company (as defined in section 552).

"SEC. 953. AMOUNTS INCLUDED IN GROSS INCOME OF UNITED STATES PERSONS.

"(a) Undistributed Tax Haven Profits.--

"(1) Amount included.--If a foreign corporation is a controlled foreign corporation on any day of an annual accounting period beginning after December 31, 1961, every United States person who has a direct or indirect interest (as described in paragraph (2)) in such corporation on the last day in such period on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such period ends, that portion of the corporation's undistributed tax haven profits for such period which is equal to the amount that would have been distributed with respect to such direct or indirect interest if on such last day there had been distributed pro rata to its shareholders by the corporation an amount which bears the same ratio to such undistributed tax haven profits as the part of such period during which the corporation is a controlled foreign corporation bears to the entire period.

"(2) Direct or indirect interest.--For purposes of paragraph (1), a direct interest in a controlled foreign corporation consists of stock in such corporation which a United States person owns directly, and an indirect interest consists of stock in a controlled foreign corporation which he owns through one or more foreign corporations, foreign partnerships, or estates or trusts (the gross income of which under this subtitle includes only income from sources within the United States). For purposes of the preceding sentence, stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or an estate or trust (the gross income of which under this subtitle includes only income from sources within the United States) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

"(3) Less than 10 percent ownership.--No person shall be required to include any amount in gross income under paragraph (1) unless he can be considered, by applying the rules of constructive ownership of section 959, as owning, directly or indirectly, 10 percent or more of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the controlled foreign corporation.

"(b) Treatment as Dividends.--Any amount included in the gross income of a United States person under subsection (a) for any taxable year shall be treated, except for purposes of section 902 (other than section 902 (b) if section 957 (a) (1) applies) and except as provided in regulations prescribed by the Secretary or his delegate, as an amount distributed to such person as a dividend by the controlled foreign corporation on the last day of the annual accounting period of such corporation.

"SEC. 954. DEFINITIONS.

"(a) United States Person.--For purposes of this subpart, the term 'United States person' means--

"(1) an individual who is a citizen or resident of the United States,

"(2) a domestic corporation,

"(3) a domestic partnership, or

"(4) an estate or trust (other than an estate or trust the gross income of which under this subtitle includes only income from sources within the United States).

"(b) Undistributed Tax Haven Profits.--

"(1) Tax haven profits.--For purposes of this subpart, the term 'tax haven profits' for an annual accounting period of a controlled foreign corporation means the amount of its earnings and profits for such period (determined without regard to distributions) which is attributable to tax haven transactions.

"(2) Undistributed tax haven profits.--For purposes of this subpart, the term 'undistributed tax haven profits' of a controlled foreign corporation for an annual accounting period is an amount which bears the same ratio to the total undistributed earnings and profits for such period as the tax haven profits for such period bear to total earnings and profits for such period (determined without regard to distributions).

"(c) Tax Haven Transaction.--For purposes of this subpart the term 'tax haven transaction' means:

"(1) Purchase or sale of personal property.--

"(A) Purchase and sale--

"(i) The purchase or other acquisition of personal property from a related person and its sale, or

"(ii) the purchase or other acquisition of personal property and its sale to a related person,

if such property is sold for ultimate use, consumption, or disposition outside the country under the laws of which the controlled foreign corporation is created or organized.

"(B) Commissions.--Services performed for a related person in connection with--

"(i) the sale of personal property, or

"(ii) the purchase of personal property,

if such property is sold or purchased for ultimate use, consumption, or disposition outside the country under the laws of which the controlled foreign corporation is created or organized.

"(C) Special rules.--

"(i) Products of processing, manufacturing, or assembling by the controlled foreign corporation.--For purposes of subparagraph (A), the purchase or other acquisition of personal property and its sale shall include the purchase of raw materials or manufactured products which are subjected by the controlled foreign corporation to processing, manufacturing, or assembling if the cost (other than the cost of purchased materials) of such processing, manufacturing, or assembling, is less than 20 percent of the amounts realized from the sales of the resulting product.

"(ii) Product of processing, manufacturing, or assembling by a related person.--Subdivision (i) of subparagraph (A) shall not apply to the purchase of personal property from a related person, created or organized in the same country as is the controlled foreign corporation, and the sale of such property if it is the product of processing, manufacturing, or assembling in such country by such related person and if the cost (other than the cost of purchased materials) of such processing, manufacturing, or assembling is at least 20 percent of the amounts realized from the sales of such product by the controlled foreign corporation.

"(iii) Agricultural products.--Subdivision (ii) of subparagraph (A) shall not apply to the purchase or other acquisition of personal property and its sale to a related person if such personal property consists of agricultural or horticultural products of the foreign country under the laws of which the controlled foreign corporation is created or organized.

"(2) Rentals and royalties.--The receipt of rentals, royalties, or similar amounts for the use of, or for the privilege of using, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, motion picture films, television tapes, or other rights or property (whether real or personal), outside the country under the laws of which the controlled foreign corporation is created or organized if such amounts are received from any person (whether or not related),

"(A) with respect to rights or property acquired by the controlled foreign corporation from a related person, or

"(B) with respect to motion picture films, television tapes, or recordings.

"(3) Interest.--The receipt of interest on bonds, notes, or other interest-bearing obligations of related persons.

"(4) Dividends.--The receipt of dividends from a corporation which is a related person except as provided in section 955 (b).

"(5) Personal services.--The performance or furnishing of technical, managerial, engineering, architectural, scientific, skilled, or like services performed outside the country in which the controlled foreign corporation is created or organized--

"(A) if such services are performed or furnished for or on behalf of a related person, or

"(B) if such services are substantially managed or directed by officers or employees transferred from a related person.

"(6) Insurance or reinsurance.--The insurance or reinsurance of United States risks which, if they materialized, would result directly or indirectly in compensation to a related person.

"(d) Related Persons.--For purposes of this section, two persons are related if--

"(1) such persons are an individual, estate, trust, or partnership, and a corporation and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of such corporation is owned, directly or indirectly, by or for such individual, estate, trust, or partnership;

"(2) such persons are two corporations, one of which owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation; and

"(3) such persons are corporations and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of one corporation, and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation are owned, directly or indirectly, by or for the same persons.

"(e) Annual Accounting Periods.--For purposes of this subpart, the annual accounting period of any foreign corporation is the

"(1) such persons are an individual, estate, trust, or partnership, and a corporation and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of such corporation is owned, directly or indirectly, by or for such individual, estate, trust, or partnership;

"(2) such persons are two corporations, one of which owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation; and

"(3) such persons are corporations and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of one corporation, and more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of the other corporation are owned, directly or indirectly, by or for the same persons.

"(e) Annual Accounting Periods.--For purposes of this subpart, the annual accounting period of any foreign corporation is the

annual period on the basis of which such corporation regularly computes its income in keeping its books.

"SEC. 955. EXCLUSION FROM GROSS INCOME AND TAX HAVEN PROFITS OF PREVIOUSLY TAXED EARNINGS AND PROFITS.

"(a) Exclusion from Gross Income.--For purposes of this chapter, the undistributed tax haven profits for an annual accounting period of a foreign corporation which are once included in the gross income of a United States person under section 953 (a) (1) shall not, when distributed to such person directly or indirectly through a chain of ownership described under section 953 (a) (2), be again included in the gross income of such United States person. For purposes of this chapter, any amount excluded from gross income under this subsection shall be treated by the taxpayer as a distribution which is not a dividend.

"(b) Exclusion from Tax Haven Profits.--For purposes of section 953 (a) (1), the undistributed tax haven profits for an annual accounting period of a controlled foreign corporation which are once included in the gross income of a United States person under section 953 (a) (1) shall not, when distributed through a chain of ownership described under section 953 (a) (2), be also included in the tax haven profits of another controlled foreign corporation in such chain for purposes of the application of section 953 (a) (1) to such other controlled foreign corporation with respect to such United States person.

"(c) Special Rule.--For purposes of applying subsection (a) or (b) the Secretary or his delegate may by regulations prescribe rules for tracing, through a chain of ownership described in section 953 (a) (2), undistributed tax haven profits for an annual accounting period of a controlled foreign corporation which have once been included in the gross income of a United States person.

"SEC. 956. ADJUSTMENTS TO BASIS OF STOCK IN CONTROLLED FOREIGN CORPORATIONS AND OF OTHER PROPERTY.

"(a) Increase in Basis.--Under regulations prescribed by the Secretary or his delegate, the basis of a United States person's stock in a controlled foreign corporation, and the basis of property of a United States person by reason of which he is considered under section 953 (a) (2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 953 (a) (1) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount is included in gross income in the return of such person, increased or decreased by any adjustment of such amount in any redetermination of his tax liability.

"(b) Reduction in Basis.--

"(1) In general.--Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States person receives an amount which is excluded from gross income under section 955 (a) shall be reduced by the amount so excluded.

"(2) Amount in excess of basis.--To the extent that an amount excluded from gross income under section 955 (a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

"SEC. 957. TAXES DEEMED PAID BY CORPORATE UNITED STATES PERSONS.

"(a) Taxes Paid by a Foreign Corporation.--For purposes of subpart A of this part, if there is included, under section 953 (a) (1), in the gross income of a domestic corporation the undistributed tax haven profits--

"(1) of a foreign corporation 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"(2) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation, then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid, if paragraph (1) and section 902 (b) apply) to a foreign country or possession of the United States for the annual accounting period which the amount of such undistributed tax haven profits bears to the amount of the total earnings and profits. Taxes deemed paid under this subsection shall be included in gross income in the same manner as amounts described in section 953 (a) (1).

"(b) Application of Section 902.--

"(1) Taxes deemed paid by domestic corporation.--If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 955, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902 to the extent such taxes were deemed paid by such domestic corporation under subsection (a) for any prior taxable year.

"(2) Taxes paid by foreign corporation and not deemed paid by domestic corporation.--Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 955 shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under subsection (a) for any prior taxable year.

"SEC. 958. SPECIAL RULES FOR FOREIGN TAXES PAID IN YEAR OF RECEIPT OF PREVIOUSLY TAXED EARNINGS AND PROFITS OF CONTROLLED FOREIGN CORPORATIONS.

"(a) Increase in Section 904 Limitation.--In the case of any taxpayer who--

"(1) either (A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 953 (a) (1) to include in his gross income the undistributed tax haven profits of a controlled foreign corporation, or (B) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

"(2) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 955 and which is attributable to undistributed tax haven profits of the controlled foreign corporation which were included in his gross income for the taxable year referred to in paragraph (1), and

"(3) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in subsection (b), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

"(b) Amount of Increase.--The amount of increase of the applicable limitation under section 904 (a) for the taxable year in which the distribution or amount referred to in subsection (a) (2) is received shall be an amount equal to--

"(1) the amount by which the applicable limitation under section 904 (a) for the taxable year referred to in subsection (a) (1) was increased by reason of the inclusion in gross income of the amount of undistributed tax haven profits of the controlled foreign corporation included under section 953 (a) (1) and the amount, if any, included in gross income under section 957 (a) with respect to the amount so included under section 953 (a) (1), reduced by

"(2) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in subsection (a) (1) and which would not have been allowable but for the inclusion in gross income of the amounts described in paragraph (1) of this subsection.

"(c) Cases in Which Taxes Not to be Allowed as Deduction.--In the case of any taxpayer who--

"(1) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 953 (a) (1) to include in his gross income the undistributed tax haven profits of a controlled foreign corporation, and

"(2) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 955 and which is attributable to undistributed tax haven profits of the controlled foreign corporation which were included in his gross income for the taxable year referred to in paragraph (1),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

"SEC. 959. RULES FOR DETERMINING STOCK OWNERSHIP.

"(a) Section 318 (a)(relating to constructive ownership of stock) shall apply to the extent that the effect is to make a foreign corporation a controlled foreign corporation under section 952, is to make a person taxable under section 953 (a) (3), or is to make persons related persons under section 954 (d) except--

"(1) In applying paragraph (1) (A), subdivision (ii) shall be deemed to apply to the individual's brothers and sisters (whether by the whole or half blood), ancestors, and lineal descendants.

"(2) In applying the first sentence of subparagraphs (A) and (B), and in applying subdivision (i) of subparagraph (C), of section 318 (a) (2), if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or of the total value of shares of all classes of stock, of a corporation, it shall be considered as owning all of the outstanding stock of such corporation.

"(3) In applying subparagraph (C) of section 318 (a) (2)--

"(A) For purposes of subdivision (i) thereof, the 50 percent limitation contained in subparagraph (C) shall not apply; and

"(B) For purposes of subdivision (ii) thereof, a 5 percent limitation shall apply in lieu of the 50 percent limitation contained in subparagraph (C), and stock owned by a corporation by reason of the application of subdivision (ii) shall not be considered as owned by it for purposes of applying subdivision (i) in order to make another the constructive owner of such stock.

"(b) Technical and Clerical Amendments.--

(1) Section 901 (relating to foreign tax credit) is amended by striking out "section 902" and inserting in lieu thereof "sections 902 and 957".

(2) Section 6038 (b) (relating to effect of failure to furnish information required by section 6038 (a)) is amended by inserting before "the amount of taxes paid or deemed paid" in the first sentence the following: "and in applying section 957 (relating to foreign tax credit for corporate shareholders of controlled foreign corporation) to such domestic corporation for any taxable year,".

(c) Effective Date.--The amendments made by this section shall apply with respect to annual accounting periods of foreign corporations beginning after December 31, 1961, and to taxable years in which or with which such annual accounting periods end.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 31, 1961

FOR IMMEDIATE RELEASE

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

3-1/4% notes dated August 1, 1961, maturing November 15, 1962,
3-3/4% notes dated August 1, 1961, maturing August 15, 1964, and
3-7/8% bonds of 1968 (addl. issue) dated June 23, 1960, maturing May 15, 1968,

are summarized in the following tables.

Maturing Issues	Eligible for Exchange	Exchange Subscriptions (In millions) 3-1/4% Notes	3-3/4% Notes	3-7/8% Bonds	Total	For Cash Redemption
3-1/8% Ctfs., C-1961	$ 7,829	$4,558	$3,045	$130	$ 7,733	$ 96
4% Notes, A-1961	2,136	657	994	291	1,942	194
2-3/4% Bonds of 1961	2,239	679	891	317	1,887	352
1-1/2% Notes, EO-1961	332	183	89	8	280	52
Total	$12,536	$6,077	$5,019	$746	$11,842	$694

Exchanges for 3-1/4% Notes of Series H-1962

Federal Reserve District	3-1/8% Ctfs., Series C-1961	4% Notes, Series A-1961	2-3/4% Bonds of 1961	1-1/2% Notes, Series EO-1961	Total for H-1962 Notes
Boston	$ 34,332,000	$ 36,980,000	$ 43,776,000	$ 371,000	$ 115,459,000
New York	3,879,284,000	280,983,000	304,331,000	140,288,000	4,604,886,000
Philadelphia	25,676,000	10,726,000	19,483,000	1,185,000	57,070,000
Cleveland	101,610,000	32,882,000	81,772,000	7,259,000	223,523,000
Richmond	39,269,000	6,632,000	7,901,000	1,670,000	55,472,000
Atlanta	49,728,000	22,890,000	13,618,000	2,978,000	89,214,000
Chicago	143,279,000	74,057,000	103,880,000	19,884,000	341,100,000
St. Louis	32,227,000	18,920,000	18,591,000	2,248,000	71,986,000
Minneapolis	11,533,000	18,844,000	18,648,000	1,233,000	50,258,000
Kansas City	19,669,000	23,705,000	12,625,000	2,230,000	58,229,000
Dallas	23,069,000	18,532,000	12,714,000	3,247,000	57,562,000
San Francisco	190,422,000	110,171,000	40,230,000	560,000	341,383,000
Treasury	7,601,000	1,568,000	1,221,000	- -	10,390,000
Total	$4,557,699,000	$656,890,000	$678,790,000	$183,153,000	$6,076,532,000

Exchanges for 3-3/4% Notes of Series E-1964

Federal Reserve District	3-1/8% Ctfs., Series C-1961	4% Notes, Series A-1961	2-3/4% Bonds of 1961	1-1/2% Notes, Series EO-1961	Total for E-1964 Notes
Boston	$ 55,799,000	$ 40,499,000	$ 38,574,000	$ 1,396,000	$ 136,268,000
New York	2,516,080,000	448,598,000	410,066,000	49,702,000	3,424,446,000
Philadelphia	13,022,000	25,606,000	24,224,000	1,085,000	63,937,000
Cleveland	41,411,000	61,193,000	54,275,000	2,700,000	159,579,000
Richmond	15,887,000	12,418,000	17,104,000	1,745,000	47,154,000
Atlanta	43,843,000	34,183,000	29,803,000	1,173,000	109,002,000
Chicago	165,970,000	158,162,000	152,199,000	16,475,000	492,806,000
St. Louis	26,108,000	38,315,000	31,358,000	2,602,000	98,383,000
Minneapolis	11,476,000	35,580,000	23,421,000	1,142,000	71,619,000
Kansas City	31,187,000	54,691,000	36,671,000	7,042,000	129,591,000
Dallas	11,466,000	40,291,000	26,560,000	978,000	79,295,000
San Francisco	109,845,000	42,713,000	45,050,000	2,800,000	200,408,000
Treasury	2,780,000	1,537,000	2,166,000	- -	6,483,000
Total	$3,044,874,000	$993,786,000	$891,471,000	$88,840,000	$5,018,971,000

Exchanges for 3-7/8% Bonds of 1968 (Additional Issue)

Federal Reserve District	3-1/8% Ctfs., Series C-1961	4% Notes, Series A-1961	2-3/4% Bonds of 1961	1-1/2% Notes, Series EO-1961	Total for Bonds of 1968
Boston	$ 14,125,000	$ 18,094,000	$ 11,205,000	$ 8,000	$ 43,432,000
New York	82,622,000	102,379,000	173,107,000	4,220,000	362,328,000
Philadelphia	2,436,000	5,993,000	8,240,000	54,000	16,723,000
Cleveland	1,164,000	12,439,000	17,393,500	166,000	31,162,500
Richmond	257,000	5,354,000	2,491,500	30,000	8,132,500
Atlanta	3,630,000	11,175,000	3,648,000	115,000	18,568,000
Chicago	11,152,000	47,478,000	35,839,500	1,595,000	96,064,500
St. Louis	1,617,000	13,424,000	7,446,000	746,000	23,233,000
Minneapolis	712,000	6,571,000	4,167,500	30,000	11,480,500
Kansas City	3,462,000	19,898,000	12,621,500	634,000	36,615,500
Dallas	1,877,000	15,879,000	6,487,500	554,000	24,797,500
San Francisco	6,475,000	11,980,000	13,153,000	104,000	31,712,000
Treasury	104,000	20,281,000	21,282,000	- -	41,667,000
Total	$129,633,000	$290,945,000	$317,082,000	$8,256,000	$745,916,000

Maturing Issues	Eligible for Exchange: Publicly Held	Eligible for Exchange: Federal Reserve Banks and Government Accounts	For Cash Redemption: % of Total Outstanding	For Cash Redemption: % of Public Holdings
	(In millions)			
3-1/8% Ctfs., C-1961	$2,957	$4,872	1.2	3.2
4% Notes, A-1961	2,081	55	9.1	9.3
2-3/4% Bonds of 1961	2,127	112	15.7	16.5
1-1/2% Notes, EO-1961	327	5	15.7	15.9
Total	$7,492	$5,044	5.5	9.3

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July 31, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday August 1, 1961

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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 May 4, 1961, and the other series to be dated August 3, 1961, which were offered on July 26, were opened at the Federal Reserve Banks on July 31. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $600,000,000, 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 November 2, 1961		182-day Treasury bills maturing February 1, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.426	2.271%	98.717 a/	2.538%
Low	99.415	2.314%	98.702	2.567%
Average	99.419	2.300% 1/	98.707	2.557% 1/

a/ Excepting one tender of $100,000
89 percent of the amount of 91-day bills bid for at the low price was accepted
74 percent of the amount of 182-day bills bid for at the low price was accepted

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 33,342,000	$ 14,337,000	$ 4,730,000	$ 1,080,000
New York	1,399,179,000	718,384,000	937,988,000	523,298,000
Philadelphia	25,206,000	9,820,000	6,311,000	1,301,000
Cleveland	25,686,000	25,686,000	16,609,000	10,966,000
Richmond	8,959,000	8,959,000	1,295,000	1,295,000
Atlanta	21,028,000	18,328,000	3,836,000	3,176,000
Chicago	188,765,000	125,995,000	113,637,000	27,672,000
St. Louis	24,193,000	19,193,000	3,846,000	2,846,000
Minneapolis	26,085,000	20,865,000	5,014,000	3,014,000
Kansas City	48,563,000	37,243,000	18,471,000	12,445,000
Dallas	13,967,000	13,967,000	2,421,000	2,326,000
San Francisco	97,881,000	88,111,000	22,090,000	10,899,000
TOTALS	$1,912,854,000	$1,100,888,000 b/	$1,136,248,000	$ 600,318,000 c/

b/ Includes $210,971,000 noncompetitive tenders accepted at the average price of 99.419
c/ Includes $38,930,000 noncompetitive tenders accepted at the average price of 98.707
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.35%, for the 91-day bills, and 2.63% for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 31, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday August 1, 1961

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In August, 1959, Mr. Bullitt organized the book airlift to Moscow to reopen the Bookmobile at the American National Exhibition. He was elected to the Municipal Council, Franklin Township, Somerset County, New Jersey last year.

Mr. Bullitt, 36, was born in Philadelphia. He married the former Lelia Myers Wardwell in November 1954. They have a son, Tommy, aged 5, and a daughter, Clarissa, aged 3.

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July 31, 1961

FOR RELEASE: 5:00 p.m.
Monday, July 31, 1961
~~DRAFT~~

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JOHN C. BULLITT NAMED DEPUTY ASSISTANT SECRETARY
OF THE TREASURY

Treasury Secretary Douglas Dillon today announced the appointment of John C. Bullitt, an attorney from Princeton, N. J., as Deputy Assistant Secretary of the Treasury.

Mr. Bullitt will assist Assistant Secretary John M. Leddy in carrying out the Department's responsiblities in international financial and monetary affairs.

Mr. Bullitt has been with the law firm of Shearman & Sterling of New York City, where he specialized in general corporate practice and in negotiating domestic and foreign loan transactions for the firm's banking clients. In addition to his law practice Mr. Bullitt operates a sheep farm in Griggstown, New Jersey.

Mr. Bullitt received his A. B. degree from Harvard in 1950 and his law degree from the University of Pennsylvania Law School in 1953. He is a member of the Bar Association of the City of New York. He was a visiting student at Woodrow Wilson School at Princeton

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 31, 1961

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STATEMENT BY ASSISTANT SECRETARY OF THE TREASURY JOHN M. LEDDY ON AMENDMENT OF THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL FINANCE CORPORATION BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE, MONDAY, JULY 31, 1961, 10:30 A.M.

Mr. Chairman and Members of the Committee:

I am glad to have this opportunity to appear in support of legislation to authorize United States approval of an amendment to the Articles of Agreement of the International Finance Corporation. This amendment would make it possible for the Corporation to make equity investments under limited conditions. It would improve the Corporation's effectiveness in investing in the developing countries and would, therefore, be consistent with the purposes of the United States in participating in the Corporation.

The IFC is an affiliate of the International Bank for Reconstruction and Development, or World Bank, which has had an impressive record under the leadership of its President, Mr. Eugene Black. The Corporation has 59 member countries and an authorized capital of $100 million, of which $96.6 million has been paid in dollars. The United States subscription, which we paid when we joined in 1956, is $35.2 million, or 36.4%.

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The Corporation provides a multilateral source of capital which directly encourages the private enterprise sectors of the developing countries of the free world. IFC invests in small or medium-sized private enterprise projects, generally those involving light and medium manufacturing or production of basic materials.

Since its inception in 1956, the Corporation has made 40 investment commitments in 18 countries totaling $44 million, of which $24 million has actually been disbursed. Its investments average a little over $1 million each in size. Additional private investment funds, committed alongside the funds of the IFC, have amounted to over $125 million, or roughly $3 of new private investment stimulated by each $1 of IFC investment. Thus, the total investment generated by IFC participation has amounted to nearly $170 million.

The legislation before you today is necessary because of the limitation in Article III, Section 2(a) in IFC's Articles that:

> "....financing [by the Corporation] is not to take the form of investments in capital stock."

This provision has sharply restricted IFC's freedom of action in making investments and has forced it to resort to convertible debentures, long-term stock options, and other means of making investments on terms approaching that of equity participation.

These alternative techniques, which have been resorted to in order to avoid direct stock purchase, are often complex, cumbersome, and unfamiliar to businessmen in many of the developing countries. A detailed explanation of these problems and of the need for authority to make equity investments is contained in a memorandum of February 10, 1961, from the President of the Corporation which I would like to submit for the record.

The purpose of the original limitation on the power of the Corporation to invest in common stock, was intended to keep the Corporation out of the business of day-to-day management. The present proposal, while permitting IFC to make investments in the form of stock, would not project the Corporation into a management position in the firms in which it invests. Management responsibilities would continue to lie with the private owners of these firms. This amendment would not alter those basic responsibilities.

The proposed amendment to IFC's Articles would eliminate Article III, Section 2, as presently drafted and substitute a new Section which would read:

> "The Corporation may make investment of its funds in such form or forms as it may deem appropriate in the circumstances."

In addition, Article III, Section 3, Subsection (iv), which now reads

> "The Corporation shall not assume responsibility for managing any enterprise in which it has invested"

would be amended by adding

> "....and shall not exercise voting rights for such purpose or for any other purpose which, in its opinion, properly is within the scope of managerial control."

With these changes the Corporation will be in a position to make equity investments and to exercise voting rights when legally required in connection with such matters as Corporate reorganization, increase of capitalization, etc. It would however be enjoined from voting on questions properly within the management's sphere.

It is in the interest of the United States to give the IFC this new flexibility. The need for it has been demonstrated by the course of IFC's operations in the last five years. The Board of Directors of the Corporation has unanimously recommended the adoption of this amendment, and the National Advisory Council on International Monetary and Financial Problems has endorsed the action. On June 19, the House of Representatives approved this measure by a vote of 329 to 18.

This legislation would authorize the Secretary of the Treasury, as United States Governor of the IFC, to vote in favor of the amendment. I recommend that the Committee give its support to passage by the Congress of this bill.