U.S. Treasury Dept.
Press Releases

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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 actuall received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 400,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on October 16, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 16, 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

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TREASURY DEPARTMENT
Washington

FOR ~~xxxxxxxxx~~ RELEASE A. M. NEWSPAPERS
~~xxxxxxxxxxxxxxxxxxxxxxxxxxxx~~
~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~
Tuesday, Oct. 3 ~~(4)~~, 1961

October ~~3~~ 2, 1961

TREASURY INCREASES ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $2,000,000,000 (2), or thereabouts, of 364 (3) -day Treasury bills, for cash and in exchange for Treasury bills maturing October 16, 1961 (4), in the amount of $1,502,165,000 (5), to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated October 16, 1961 (6), and will mature October 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, two ~~xxxxxxxxx~~ o'clock p.m., Eastern Daylight Saving ~~Standard~~ time, Tuesday, October 10, 196 (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 b will run for 364 days, the discount rate will be computed on a bank discount 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 exce for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investmen securities. Tenders from others must be accompanied by payment of 2 percent of th

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 2, 1961

RELEASE A.M. NEWSPAPERS,
Tuesday, October 3, 1961

TREASURY INCREASES ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $2,000,000,000, or thereabouts, of 364-day Treasury bills, for cash and in exchange for Treasury bills maturing October 16, 1961, in the amount of $1,502,165,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated October 16, 1961, and will mature October 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, two o'clock p.m., Eastern Daylight Saving time, Tuesday, October 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 decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 364 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 made or completed at the Federal Reserve Bank on October 16, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 16, 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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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, October 3, 1961.

October 2, 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 July 6, 1961, the other series to be dated October 5, 1961, which were offered on September 27, were opened at the Federal Reserve Banks on October 2. Tenders were invited for $1,100,00[0,000] 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 January 4, 1962		:	182-day Treasury bills maturing April 5, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.435	2.235%	:	98.650 a/	2.670%
Low	99.408	2.342%	:	98.641	2.688%
Average	99.418	2.302% 1/	:	98.643	2.683% 1/

a/ Excepting one tender of $100,000
1 percent of the amount of 91-day bills bid for at the low price was accepted
42 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 27,769,000	$ 27,769,000	:	$ 6,507,000	$ 2,507,000
New York	1,233,921,000	721,111,000	:	1,070,195,000	471,335,000
Philadelphia	21,050,000	6,050,000	:	12,898,000	3,698,000
Cleveland	20,552,000	20,552,000	:	18,732,000	13,732,000
Richmond	9,936,000	9,936,000	:	1,738,000	1,564,000
Atlanta	14,418,000	14,418,000	:	4,286,000	2,256,000
Chicago	194,786,000	160,806,000	:	111,739,000	74,159,000
St. Louis	22,125,000	19,125,000	:	4,463,000	3,463,000
Minneapolis	26,230,000	26,230,000	:	4,416,000	1,916,000
Kansas City	31,712,000	31,712,000	:	12,166,000	4,572,000
Dallas	15,610,000	15,610,000	:	8,778,000	3,578,000
San Francisco	47,764,000	46,774,000	:	49,023,000	17,466,000
TOTALS	$1,665,873,000	$1,100,093,000 b/	:	$1,304,941,000	$600,246,000 c/

b/ Includes $176,921,000 noncompetitive tenders accepted at the average price of 99.41[8]
c/ Includes $40,473,000 noncompetitive tenders accepted at the average price of 98.64[3]
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 2.76%, 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-249 MM W.T.H.

TREASURY DEPARTMENT

WASHINGTON, D.C.

October 2, 1961

'OR RELEASE A. M. NEWSPAPERS,
'uesday, October 3, 1961.

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Average	99.418	2.302% 1/	98.643	2.683% 1/

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New York	1,233,921,000	721,111,000	1,070,195,000	471,335,000
Philadelphia	21,050,000	6,050,000	12,898,000	3,698,000
Cleveland	20,552,000	20,552,000	18,732,000	13,732,000
Richmond	9,936,000	9,936,000	1,738,000	1,564,000
Atlanta	14,418,000	14,418,000	4,286,000	2,256,000
Chicago	194,786,000	160,806,000	111,739,000	74,159,000
St. Louis	22,125,000	19,125,000	4,463,000	3,463,000
Minneapolis	26,230,000	26,230,000	4,416,000	1,916,000
Kansas City	31,712,000	31,712,000	12,166,000	4,572,000
Dallas	15,610,000	15,610,000	8,778,000	3,578,000
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TOTALS	$1,665,873,000	$1,100,093,000 b/	$1,304,941,000	$600,246,000 c/

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/ Includes $40,473,000 noncompetitive tenders accepted at the average price of 98.643
/ 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 2.76%, 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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SRI LANKA

IN ANSWER TO INQUIRIES ~~-- NO FORMAL STATEMENT~~:

CEYLON FINANCE MINISTER GUEST OF SECRETARY DILLON

Finance Minister Felix Dias Bandaranaike, of Ceylon, today was the guest of Secretary Douglas Dillon at luncheon in the Treasury. Mr. Bandaraniake is attending the United Nations General Assembly in New York, and has been visiting Washington over the past weekend. The luncheon guests also included the Ambassador of Ceylon, William Gopallawa, Secretary of Commerce Luther Hodges and Assistant Secretaries of State Edwin M. Martin and Philip H. Talbot, AID Administrator-designate, Fowler Hamilton, and Acting Chairman of the Federal Reserve Board, C. Canby Balderston.

Foreign Minister Thanat Khoman of Thailand this afternoon met with Treasury Secretary Douglas Dillon in the Secretary's office. Their discussions included a review of the economic positions of the two countries. Minister Khoman's visit to Washington includes meetings with Secretary of State Rusk and Agriculture Secretary Freeman.

(Letterhead)

October 2, 1961

IMMEDIATE RELEASE

CEYLON FINANCE MINISTER GUEST OF SECRETARY DILLON

(William Gopallawa

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 2, 1961

IMMEDIATE RELEASE

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D-250

(Letterhead)

October 2, 1961

IMMEDIATE RELEASE

THAILAND FOREIGN MINISTER MEETS WITH SECRETARY DILLON

Foreign Minister Thanat Khoman of Thailand this afternoon met with Treasury Secretary Douglas Dillon in the Secretary's office. Their discussions included a review ~~of the present aid program to Thailand, and~~ of the economic positions of the two countries. Minister Khoman's visit to Washington includes meetings with Secretary of State Rusk and Agriculture Secretary Freeman.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

11

October 2, 1961

FOR IMMEDIATE RELEASE

THAILAND FOREIGN MINISTER MEETS WITH SECRETARY DILLON

Foreign Minister Thanat Khoman of Thailand this afternoon met with Treasury Secretary Douglas Dillon in the Secretary's office. Their discussions included a review of the economic positions of the two countries. Minister Khoman's visit to Washington includes meetings with Secretary of State Rusk and Agriculture Secretary Freeman.

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D-251

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

~~XXXXXXXXXXXXXX~~

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 (XXXX) or less for the additional bills dated July 13, 1961 (XXXX), (90 (XXXX) days remaining until maturity date on January 11, 1962 (XXXX)) and noncompetitive tenders for $ 100,000 (XXXX) or less for the 181 (XXXX) -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 October 13, 1961 (XXXX), in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 13, 1961 (XXXX). Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

October 4, 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 October 13, 1961, in the amount of $1,701,357,000, as follows:

90 -day bills (to maturity date) to be issued October 13, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated July 13, 1961, and to mature January 11, 1962, originally issued in the amount of $500,178,000, the additional and original bills to be freely interchangeable.

181 -day bills, for $ 600,000,000, or thereabouts, to be dated October 13, 1961, and to mature April 12, 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 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, two o'clock p.m., Eastern Daylight Saving time, Monday, October 9, 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.

October 4, 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, or thereabouts, for cash and in exchange for Treasury bills maturing October 13, 1961, in the amount of $ 1,701,357,000, as follows:

90 -day bills (to maturity date) to be issued October 13, 1961, in the amount of $ 1,100,000,000, or thereabouts, representing an additional amount of bills dated July 13, 1961, and to mature January 11, 1962, originally issued in the amount of $ 500,178,000, the additional and original bills to be freely interchangeable.

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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 two o'clock p.m., Eastern Daylight Saving time, Monday, October 9, 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 July 13, 1961, (90-days remaining until maturity date on January 11, 1962) 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 October 13, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 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 from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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TREASURY DEPARTMENT

WASHINGTON

October 5, 1961

FOR IMMEDIATE RELEASE

RESULTS OF TREASURY'S CURRENT CASH OFFERING

Public subscriptions total about $5,684 million for the additional offering of $2,000 million, or thereabouts, of 3-1/4 percent Treasury Notes of Series D-1963, due May 15, 1963, which are to be issued for payment on October 11, 1961. Total public subscriptions accepted amount to about $2,176 million.

In addition to the amount allotted to the public, $100 million of these notes will be allotted to Government investment accounts.

The Treasury announced a 37 percent allotment on all subscriptions in excess of $100,000. Subscriptions for $100,000 or less will be allotted in full. Subscriptions for more than $100,000 will be allotted not less than $100,000. Subscriptions total about $5,341 million from commercial banks for their own account and $343 million from all others.

Details by Federal Reserve Districts as to subscriptions and allotments will be announced next week.

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D-253

FOR IMMEDIATE RELEASE

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D-253

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WASHINGTON, D.C.

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Public subscriptions total about $5,684 million for the additional offering of $2,000 million, or thereabouts, of 3-1/4 percent Treasury Notes of Series D-1963, due May 15, 1963, which are to be issued for payment on October 11, 1961. Total public subscriptions accepted amount to about $2,176 million.

In addition to the amount allotted to the public, $100 million of these notes will be allotted to Government investment accounts.

The Treasury announced a 37 percent allotment on all subscriptions in excess of $100,000. Subscriptions for $100,000 or less will be allotted in full. Subscriptions for more than $100,000 will be allotted not less than $100,000. Subscriptions total about $5,341 million from commercial banks for their own account and $343 million from all others.

Details by Federal Reserve Districts as to subscriptions and allotments will be announced next week.

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~~new procedures resulted from continuing studies by Customs of methods to expendite baggage handling at United States ports of entry and departure~~.

The new system permits baggage to remain in the airlines' possession without inspection so long as the passengers do not require access to it. Transfers may be made to a domestic airline for transit through the United States to a port of departure for a foreign country. An in-transit baggage tag designed by Customs will be attached to each piece of baggage by the airline, either in the foreign country or after arrival in the United States. Portions of this tag will be turned over to Customs at the ports of entry and departure.

The airlines will have the responsibility of printing the in-transit tag in conformance with Customs specifications, its attachment to each piece of baggage and delivery of the specified portions of the tag to the Customs office at the points of entry and departure. Both the incoming carrier and the domestic

~~DRAFT~~ ~~Oct. 5, 1961~~

IMMEDIATE RELEASE October 6, 1961

CUSTOMS PROCEDURES FOR TRANSITING
AIR PASSENGERS SIMPLIFIED

Treasury Secretary Douglas Dillon announced today that the Bureau of Customs has developed new simplified procedures for handling the baggage of commercial airline passengers ARRIVING FROM ABROAD AND transiting the United States enroute to another country. THE SECRETARY WELCOMED THIS STEP AS PART OF THE PROGRAM TO ENCOURAGE FOREIGN TOURISM IN THE UNITED STATES AND THEREBY ~~TO~~ STRENGTHEN THE UNITED STATES BALANCE OF PAYMENTS POSITION. The new procedures will permit the transit through the United States of these passengers' baggage without Customs inspection ~~and~~ OR examination and with a minimum of Customs control. The ~~y~~ NEW SYSTEM will be put into effect within the next two weeks at all United States airports with international air traffic.

Under previous procedures, passengers entering the United States on one aircraft and departing for a foreign country at another port were required to submit their baggage for inspection or arrange for it to be forwarded under bond. ~~Adoption of the~~

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TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE   October 6, 1961

CUSTOMS PROCEDURES FOR TRANSITING AIR PASSENGERS SIMPLIFIED

Treasury Secretary Douglas Dillon announced today that the Bureau of Customs has developed new simplified procedures for handling the baggage of commercial airline passengers arriving from abroad and transiting the United States enroute to another country. The Secretary welcomed this step as part of the program to encourage foreign tourism in the United States and thereby strengthen the United States balance of payments position.

The new procedures will permit the transit through the United States of these passengers' baggage without Customs inspection or examination and with a minimum of Customs control. The new system will be put into effect within the next two weeks at all United States airports with international air traffic.

Under previous procedures, passengers entering the United States on one aircraft and departing for a foreign country at another port were required to submit their baggage for inspection or arrange for it to be forwarded under bond.

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oOo

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PARTICIPANTS IN THE OCTOBER 4 and 5 TREASURY CONSULTANTS' MEETING

Professor Roy Blough
Columbia University
New York, New York

Professor E. Cary Brown
Massachusetts Institute of Technology
Cambridge, Massachusetts

Dr. Gerhard Colm
National Planning Association
Washington, D. C.

Professor James S. Duesenberry
Harvard University
Cambridge, Massachusetts

Professor Otto Eckstein
Harvard University
Cambridge, Massachusetts

Professor Alvin H. Hansen
Yale University
New Haven, Connecticut

Professor John H. Kareken
University of Minnesota
Minneapolis, Minnesota

Mr. Hal B. Lary
National Bureau of Economic Research, Inc.
New York, New York

Professor Isador Lubin
Rutgers University
New Brunswick, New Jersey

Dr. Geoffrey H. Moore
National Bureau of Economic Research, Inc.
New York, New York

Professor Richard A. Musgrave
Johns Hopkins University
Baltimore, Maryland

Dr. Joseph A. Pechman
The Brookings Institution
Washington, D. C.

Dr. Walter S. Salant
The Brookings Institution
Washington, D. C.

Professor Paul A. Samuelson
Massachusetts Institute of Technology
Cambridge, Massachusetts

Professor Charles Schultze
University of Maryland
College Park, Maryland

Professor Eli Shapiro
Massachusetts Institute of Technology
Cambridge, Massachusetts

Professor Carl S. Shoup
Columbia University
New York, New York

Professor Warren L. Smith
The University of Michigan
Ann Arbor, Michigan

Professor Arthur Smithies
Harvard University
Cambridge, Massachusetts

Professor Daniel B. Suits
The University of Michigan
Ann Arbor, Michigan

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on the prospects for the coming year. A continued improvement in 1962 was expected. There was agreement that there existed little danger of any serious price pressures in 1961; but ~~that~~ during the course of ~~in~~ 1962, inflationary pressures should be watched.

The expected rise of GNP in 1962 was related to some further increase in expenditures for plant and equipment, residential construction and the Government contribution as well as increasing consumer purchases. It was felt that the outlook for continued availability of credit on reasonable and appropriate terms should lend strength to these trends. The net export balance was likely to deteriorate to a small extent, in the view of the experts.

Dr. Seymour E. Harris of Harvard University as Senior Consultant coordinates the activities of the group. ~~In addition~~ to ~~him, the~~ consultants attending the sessions yesterday and ~~today~~ were:

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There is attached a list of the twenty consultants who attended the meeting, in additi to Dr. Harris.

~~DRAFT~~ ~~10/5/61~~

TREASURY CONSULTANTS CONCLUDE
TWO-DAY MEETING

The second two-day meeting of the Treasury's economic consultants with Secretary Douglas Dillon and other officials of the Department was concluded this afternoon.

The members of the President's Council of Economic Advisors and the Director of the Budget, as well as representatives from other Federal departments, attended the meeting with 20 economists from various universities and research institutions.

The agenda included an examination of methods of forecasting gross national product and revenues, appraisals of the economic outlook /~~inclusive~~ve ~~of the budget~~/ and an examination of various means of increasing the response of tax receipts to changing economic conditions.

There was general agreement that the recovery had been very satisfactory, with the exception of the failure of unemployment to decline more. There was a substantial measure of agreement

TREASURY DEPARTMENT

WASHINGTON, D.C.

October 5, 1961

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 5, 1961

FOR IMMEDIATE RELEASE

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Columbia University
New York, New York

Professor E. Cary Brown
Massachusetts Institute
of Technology
Cambridge, Massachusetts

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Professor Alvin H. Hansen
Yale University
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Professor John H. Kareken
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Professor Warren L. Smith
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Professor Arthur Smithies
Harvard University
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Professor Daniel B. Suits
The University of Michigan
Ann Arbor, Michigan

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October 9, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, October 10, 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 July 13, 1961, an the other series to be dated October 13, 1961, which were offered on October 4, were open at the Federal Reserve Banks on October 9. Tenders were invited for $1,100,000,000, or thereabouts, of 90-day bills and for $600,000,000, 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 January 11, 1962		:	181-day Treasury bills maturing April 12, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.410 a/	2.360%	:	98.660 b/	2.665%
Low	99.401	2.396%	:	98.646	2.693%
Average	99.403	2.389% 1/	:	98.651	2.684% 1/

a/ Excepting two tenders totaling $428,000; b/ Excepting two tenders totaling $850,0
33 percent of the amount of 90-day bills bid for at the low price was accepted
27 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	$ 39,101,000	$ 16,200,000	:	$ 3,877,000	$ 3,485,000
New York	1,572,833,000	756,333,000	:	864,442,000	452,703,000
Philadelphia	27,142,000	11,969,000	:	7,343,000	2,343,000
Cleveland	26,176,000	20,231,000	:	23,292,000	14,292,000
Richmond	11,121,000	10,920,000	:	1,871,000	1,871,000
Atlanta	22,173,000	17,698,000	:	7,410,000	4,772,000
Chicago	207,431,000	142,751,000	:	115,771,000	84,131,000
St. Louis	29,740,000	24,740,000	:	6,964,000	5,914,000
Minneapolis	24,494,000	14,154,000	:	5,482,000	2,882,000
Kansas City	36,100,000	21,500,000	:	7,570,000	6,397,000
Dallas	14,031,000	14,031,000	:	5,266,000	5,066,000
San Francisco	96,749,000	49,739,000	:	51,982,000	16,379,000
TOTALS	$2,107,091,000	$1,100,266,000 c/		$1,101,270,000	$ 600,235,000 d/

c/ Includes $213,491,000 noncompetitive tenders accepted at the average price of 99.403
d/ Includes $52,462,000 noncompetitive tenders accepted at the average price of 98.651
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.44%, for the 90-day bills, and 2.76%, for the 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.

October 9, 1961

R RELEASE A. M. NEWSPAPERS, Tuesday, October 10, 1961.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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Average	99.403	2.389% 1/	:	98.651	2.684% 1/

a/ Excepting two tenders totaling $428,000; b/ Excepting two tenders totaling $850,000
33 percent of the amount of 90-day bills bid for at the low price was accepted
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TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 39,101,000	$ 16,200,000	:	$ 3,877,000	$ 3,485,000
New York	1,572,833,000	756,333,000	:	864,442,000	452,703,000
Philadelphia	27,142,000	11,969,000	:	7,343,000	2,343,000
Cleveland	26,176,000	20,231,000	:	23,292,000	14,292,000
Richmond	11,121,000	10,920,000	:	1,871,000	1,871,000
Atlanta	22,173,000	17,698,000	:	7,410,000	4,772,000
Chicago	207,431,000	142,751,000	:	115,771,000	84,131,000
St. Louis	29,740,000	24,740,000	:	6,964,000	5,914,000
Minneapolis	24,494,000	14,154,000	:	5,482,000	2,882,000
Kansas City	36,100,000	21,500,000	:	7,570,000	6,397,000
Dallas	14,031,000	14,031,000	:	5,266,000	5,066,000
San Francisco	96,749,000	49,739,000	:	51,982,000	16,379,000
TOTALS	$2,107,091,000	$1,100,266,000 c/		$1,101,270,000	$ 600,235,000 d/

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MEMORANDUM TO MR. MARTIN L. MOORE:

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

Purchases	$38,127,150.00
Sales	13,012,500.00
Net Purchases	$25,114,650.00

TREASURY DEPARTMENT

WASHINGTON, D.C.

October 11
~~September 13~~, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~AUGUST~~ September

During ~~August~~ September 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 ~~$17,319,500.~~ $25,114,650.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 11, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN SEPTEMBER

During September 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 $25,114,650.

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FOR RELEASE A. M. NEWSPAPERS,
Wednesday, October 11, 1961.

October 10, 1961

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $2,000,000, or thereabouts, of 364-day Treasury bills to be dated October 16, 1961, and to matu October 15, 1962, which were offered on October 3, were opened at the Federal Reserv Banks on October 10.

The details of this issue are as follows:

Total applied for - $3,756,227,000
Total accepted - 2,000,863,000 (includes $138,931,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $100,000)

High	- 97.037	Equivalent rate of discount approx. 2.930% per annu
Low	- 96.979	" " " " " 2.988% " "
Average	- 96.992	" " " " " 2.975% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 104,074,000	$ 41,424,000
New York	2,467,044,000	1,374,290,000
Philadelphia	46,767,000	13,567,000
Cleveland	190,592,000	58,292,000
Richmond	34,449,000	19,449,000
Atlanta	23,452,000	11,952,000
Chicago	446,607,000	301,257,000
St. Louis	31,569,000	20,569,000
Minneapolis	31,308,000	8,308,000
Kansas City	41,073,000	24,963,000
Dallas	49,437,000	12,437,000
San Francisco	289,855,000	114,355,000
Total	$3,756,227,000	$2,000,863,000

1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide a yield of 3.09%. Interest rates on bills are quoted terms of bank discount with the return related to the face amount of the bills p able at maturity rather than the amount invested and their length in actual numb of days related to a 360-day year. In contrast, yields on certificates, notes, bonds are computed in terms of interest on the amount invested, and relate the n ber of days remaining in an interest payment period to the actual number of day the period, with semiannual compounding if more than one coupon period is invol

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 10, 1961

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Wednesday, October 11, 1961.

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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.

~~XXXXXXXXXXXXXXXXX~~

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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 July 20, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on January 18, 1962 ~~(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 October 19, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 19, 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 ~~XXXXXXXXX~~ October 11, 1961

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two seri of Treasury bills to the aggregate amount of $ 1,700,000,000 , or thereabouts, fo cash and in exchange for Treasury bills maturing October 19, 1961 , in the amou of $ 1,600,399,000 , as follows:

91 -day bills (to maturity date) to be issued October 19, 1961 , in the amount of $ 1,100,000,000 , or thereabouts, representing an additional amount of bills dated July 20, 1961 , and to mature January 18, 1962 , originally issued in the amount of $ 499,904,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 600,000,000 , or thereabouts, to be dated October 19, 1961 , and to mature April 19, 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 amo 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 (matur value).

Tenders will be received at Federal Reserve Banks and Branches up to the clos hour, two ~~one-thirty~~ o'clock p.m., Eastern Daylight Saving ~~Standard~~ time, Monday, October 16, 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.

October 11, 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, or thereabouts, for cash and in exchange for Treasury bills maturing October 19, 1961, in the amount of $ 1,600,399,000, as follows:

91-day bills (to maturity date) to be issued October 19, 1961, in the amount of $ 1,100,000,000, or thereabouts, representing an additional amount of bills dated July 20, 1961, and to mature January 18,1962, originally issued in the amount of $ 499,904,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 600,000,000, or thereabouts, to be dated October 19, 1961, and to mature April 19, 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, two o'clock p.m., Eastern Daylight Saving time, Monday, October 16, 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 amoun and price range of accepted bids. Those submitting tenders will b advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any all tenders, in whole or in part, and his action in any such respe shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000or less for the additional bills dated July 20, 1961, (91-days remaining until maturity date on January 18, 1962) 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 October 19, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 19, 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 dispositio 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 exclude from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereund 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 th 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.

FOR IMMEDIATE RELEASE October 11, 1961

SUBSCRIPTION AND ALLOTMENT FIGURES FOR TREASURY'S CURRENT CASH OFFERING

The Treasury Department today announced the subscription and allotment figures with respect to the current offering of the additional amount of $2,000 million, or thereabouts, of 3-1/4% Treasury Notes of Series D-1963, due May 15, 1963.

Public subscriptions were allotted 37 percent with subscriptions for $100,000 or less being allotted in full and those for more than $100,000 being allotted not less than $100,000.

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

Federal Reserve District	Total Subscriptions Received	Total Allotments
Boston	$ 283,511,000	$ 107,261,000
New York	1,764,932,000	657,617,000
Philadelphia	215,169,000	84,228,000
Cleveland	518,598,000	199,366,000
Richmond	209,607,000	83,263,000
Atlanta	233,582,000	92,570,000
Chicago	912,149,000	356,086,000
St. Louis	216,286,000	90,145,000
Minneapolis	159,462,000	69,821,000
Kansas City	184,124,000	80,105,000
Dallas	230,018,000	89,743,000
San Francisco	759,184,000	284,319,000
Treasury	5,000	5,000
Govt. Inv. Accts.	100,000,000	100,000,000
Total	$5,786,627,000	$2,294,529,000

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-261

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

QUARTERLY QUOTA PERIOD - October 1, 1961 - December 31, 1961

IMPORTS - October 1, 1961 - October 6, 1961 (or as noted)

Country of Production	ITEM 391		ITEM 392		ITEM 393		ITEM 394	
	Lead-bearing ores, flue dust, and mattes		Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Zinc	Imports	Quarterly Quota By Weight	Imports
	(Pounds)		(Pounds)		(Pounds)		(Pounds)	
Australia	10,080,000	6,017,191*	23,680,000	19,488	-		-	-
Belgian Congo	-	-	-	-	-		5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-		7,520,000	1,115,564*
Bolivia	5,040,000	3,531,456*	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	4,082,799	66,480,000	3,302,408	37,840,000	3,496,181
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	1,935,730	70,480,000	1,558,883	6,320,000	102,731
Peru	16,160,000	151,017	12,880,000	49,316	35,120,000	3,946,644	3,760,000	101,095
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	1,853,310*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,134,237*	17,840,000	17,840,000	6,080,000	6,080,000

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-261

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

QUARTERLY QUOTA PERIOD - October 1, 1961 - December 31, 1961

IMPORTS - October 1, 1961 - October 6, 1961 (or as noted)

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	6,017,191*	23,680,000	19,488	-		-	-
Belgian Congo	-	-	-	-	-		5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-		7,520,000	1,115,564*
Bolivia	5,040,000	3,531,456*	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	4,082,799	66,480,000	3,302,408	37,840,000	3,496,181
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	1,935,730	70,480,000	1,558,883	6,320,000	102,731
Peru	16,160,000	151,017	12,880,000	49,316	35,120,000	3,946,644	3,760,000	101,095
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	1,853,310*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,134,237*	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of October 9

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-262

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 - September 30, 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	10,080,000	23,680,000	23,680,000	-		-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	5,438,968
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	6,591,240
Bolivia	5,040,000	5,040,000	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	52,075,521	37,840,000	37,083,338
Italy	-	-	-	-	-	-	3,600,000	661,380
Mexico	-	-	36,880,000	36,880,000	70,480,000	70,292,589	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,876,796	35,120,000	29,709,162	3,760,000	3,758,225
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,758,732	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-262

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 - September 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	5,438,968
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	6,591,240
Bolivia	5,040,000	5,040,000	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	52,075,521	37,840,000	37,083,338
Italy	-	-	-	-	-	-	3,600,000	661,380
Mexico	-	-	36,880,000	36,880,000	70,480,000	70,292,589	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,876,796	35,120,000	29,709,162	3,760,000	3,758,225
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,758,732	-	-	-	-
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

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, 1961, to Oct. 9, 1961	Established 33-1/3% of Total Quota	Imports Sept. 20, 1961, to Oct. 9, 1961 1/
United Kingdom	4,323,457	1,023,573	1,441,152	1,023,573
Canada	239,690	239,690	-	-
France	227,420	21,544	75,807	21,544
British India	69,627	29,525	-	-
Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	-	12,853	-
Japan	341,535	120,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	34,462	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	1,533,560	1,599,886	1,103,853

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-263

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, 1961 - October 9, 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	-	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	-
Brazil	618,723	618,723	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, 1961 - October 9, 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	461,020
1-1/8" or more and under		

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-263

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, 1961 - October 9, 1961

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	-
Peru	247,952	-
British India	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	8,883,259
Brazil	618,723	618,723
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-

Country of Origin	Established Quota	Imports
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Netherlands E. Indies	71,388	-
Barbados	-	-
1/ Other British W. Indies	21,321	-
Nigeria	5,377	-
2/ Other British W. Africa	16,004	-
3/ Other French Africa	689	-
Algeria and Tunisia	-	-

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

Cotton 1-1/8" or more
Imports August 1, 1961 - October 9, 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	461,020
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, 1961, to Oct. 9, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1961, to Oct. 9, 1961
United Kingdom	4,323,457	1,023,573	1,441,152	1,023,573
Canada	239,690	239,690	-	-
France	227,420	21,544	75,807	21,544
British India	69,627	29,525	-	-
Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	-	12,853	-
Japan	341,535	120,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	34,462	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	1,533,560	1,599,886	1,103,853

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

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 Sept 19, 1961	Established 33-1/3% of Total Quota	Imports Sept. 20, 1960, to Sept. 19, 1961 1/
United Kingdom	4,323,457	1,913,672	1,441,152	1,441,152
Canada	239,690	239,690	-	-
France	227,420	75,807	75,807	75,807
British India	69,627	58,512	-	-
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	2,362,837	1,599,886	1,551,406

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-264

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 - September 19, 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	519,653	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, 1961 - September 11, 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	461,020
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-264

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 - September 19, 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	519,653
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, 1961 - September 11, 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	461,020
1-1/8" or more and under 1-3/8"		

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 Sept 19, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1960, to Sept. 19, 1961
United Kingdom	4,323,457	1,913,672	1,441,152	1,441,152
Canada	239,690	239,690	-	-
France	227,420	75,807	75,807	75,807
British India	69,627	58,512	-	-
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	2,362,837	1,599,886	1,551,406

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-265

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to September 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 Sept. 30, 1961
Buttons.............	765,000	Gross	170,279
Cigars..............	180,000,000	Number	4,744,565
Coconut oil.........	403,200,000	Pound	99,697,554
Cordage.............	6,000,000	Pound	3,739,889
Tobacco.............	5,850,000	Pound	5,958,105

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Commodity	Period and Quantity		Unit of Quantity	Imports As of Sept. 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, 1961	1,709,000	Pound	367,732
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	17,298,511
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	551,150

*Imports through October 9, 1961.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

D-266

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 September 30, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 30, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	268
Whole milk, fresh or sour........	Calendar Year	3,000,000	Gallon	97
Cattle, 700 lbs. or more each (other than dairy cows).........	July 1, 1961-Sept. 30, 1961	120,000	Head	62,442
Cattle less than 200 lbs. each...	12 mos. from April 1, 1961	200,000	Head	30,533
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	40,664,702
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	64,444,705 2/
Other..........................	Sept. 15, 1960	36,000,000	Pound	8,964,887 2/
Certified seed.................	12 mos. from	114,000,000	Pound	-
Other..........................	Sept. 15, 1961	36,000,000	Pound	6,175
Walnuts..........................		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

1/ Imports for consumption at the quota rate are limited to 24,450,483 pounds during the first nine months of the calendar year.

2/ Imports through September 14, 1961.

TREASURY DEPARTMENT
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IMMEDIATE RELEASE
FRIDAY, OCTOBER 13, 1961

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Absolute Quotas:				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...	12 mos. from Aug. 1, 1961	1,709,000	Pound	367,732*
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	Other Countries	711,188	Pound	551,150*

*Imports through October 9, 1961.

and increasing competitive efficiency

Imports
:Quantity:Sept. 30, 1

healthy economic growth. But as was indicated in the beginning, this is but one step in a long program of comprehensive tax revision. True, it is one which deserves a high priority of treatment, which it is receiving. However, there are many other areas for constructive reform to keep our tax system up to date and maintain its equity. If the nation is to make progress in these areas in the years ahead, it will require the increasing concern of the average American that tax policy conform to the national interest rather than special interest.

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recovered over a shorter period of time is an understandabl inducement to commit funds to the investment. The shorter the term, the greater the confidence in payout. Faster depreciation also facilitates financing of new capital outlays since funds arising through depreciation may be used to repay debt incurred to purchase a capital asset. It also increases the opportunity for capital investment by shifting taxes to later years.

CONCLUSION

With this two-pronged approach toward a tax policy for increasing investment in productive machinery and equipment, the investment tax credit and an adjustment of the lives of capital assets for depreciation purposes to conform to existing conditions and technological obsolescence -- there will be a real beginning towards attuning tax policy to ~~one~~ two of our major national objectives for legislative proposals in this area which would be a part of the President's comprehensive program for tax revision and reform.

To the degree that this course of action results in a reduction in the average tax lives of capital goods and, hence, the increase in rates of depreciation now in use, there will be considerable economic significance. Depreciation provides increased funds to replace capital equipment, particularly where rapid obsolescence is a major factor. The faster the depreciation deductions the greater the flow of internal funds from business operations and the greater the prospects of securing modern plants. Thus, in a practical sense faster depreciatio is likely to set the stage for faster replacement. The fact that full depreciation can be taken and the investment

The Treasury Department has also obtained material on the depreciation systems of various foreign countries in order that comparisons can be made with the United States with respect to methods of depreciation permitted, typical depreciation rates, accelerated depreciation provisions, investment incentives, and the treatment of gains or losses on the disposition of depreciable assets.

Questions as to the rate of change of capital productivity and labor productivity, the rate of technological obsolescence, and the effect of changes in the price level are being considered.

The results of these studies and analyses will be made available to the appropriate committees of Congress during the next session either in connection with administrative action of a corrective nature or as a basis

Defense Services Administration in the Commerce Department is also assisting the Treasury in a statistical study of the rate at which machinery and equipment loses its economic usefulness as a basis for determining realistic patterns for spreading the cost of an asset over its estimated service life.

In connection with the study of the administration of the depreciation provisions, information has been obtained concerning changes made in salvage value and life of depreciable assets upon examination of corporate returns by the Internal Revenue Service. This study will permit an analysis of the classes and length of life of assets for which the estimated useful lives and salvage values have been materially altered, as well as the reasons for such adjustments.

the same industry and among various industries. For the first time, detailed data on the use of the new depreciation methods will be provided. The questionnaire portion of the Treasury Depreciation Survey will reveal the general opinions of taxpayers as to whether present depreciation allowances are reasonably satisfactory, the major reasons for any inadequacy in depreciation, as well as opinions concerning various proposals for changing the tax treatment of depreciation.

The National Income Division of the Department of Commerce is preparing a detailed breakdown of corporation purchases of plant and equipment year by year from 1914 to 1959. Comparison of this material with the data obtained from corporate tax returns is expected to permit calculation of the average actual lives of assets, which can be compared with tax depreciable lives. The Business and by about 2,000 of the large corporations and 1,300 of the smaller firms.

Another study also begun in 1960 involves a tabulation of the detailed depreciation information submitted on 1959 corporation tax returns. This study, based on a representative statistical sample, will provide more detailed information by asset type, year of acquisition, and depreciation method than that obtained from the Treasury Depreciation Survey. An analysis of the data obtained from these studies is being made by the Treasury staff and by consultants.

Data provided by these studies will enable a general comparison to be made between the depreciable lives used by some taxpayers and the lives listed in Bulletin F. Information will be available concerning the variation in depreciation rates used on similar assets among firms within

In July 1960, the Treasury Department requested approximately 2,700 large corporations to furnish information on the amount of their depreciable assets, reserves for depreciation, depreciation deductions, and fully depreciated property, the service lives of different types of depreciable property, and the extent to which the new methods of depreciation provided by the Internal Revenue Code of 1954 had been adopted. In addition, a questionnaire was sent to these corporations requesting information on depreciation practices, experience under the present law, and opinions on various alternative proposals for revision of the depreciation system. In cooperation with the Small Business Administration, the questionnaire [illegible] portion of the survey material was also mailed to about 7,600 small businesses. Completed material was furnished [illegible] firms withi bears directly upon the fundamental question of what the taxpayer properly owes.

Accordingly, adjustments in depreciation rates because of changes in permissible lives of assets should not be confused with the investment tax credit or other measures designed primarily to provide incentives for modernization and expansion of capital equipment. However, where they become applicable, liberalized depreciation allowances will incidentally facilitate and encourage modernization and expansion of investment in machinery and equipment and other capital facilities.

The nature of the depreciation studies being carried forward as a part of the long-range tax reform program of the Treasury Department may be of general interest in view of the recent action on textile machinery and the prospects in other areas.

all industries, the study of depreciation schedules for the textile industry having been accelerated because of the Presidential priority given to it on May 2 of this year.

Whether or not adjustments downward in the estimated lives of assets in other industries is suggested will depend upon the results of the studies by the Treasury Department of other industries. It is expected that adjustments will be suggested wherever recent and prospective technological developments can be shown to be opening the gap between existing practices and the requirements imposed by such developments. The main objectives of the studies under way are to make an appraisal of the realism of asset lives and salvage values currently in use for computing depreciation. The accuracy of present allowances in measuring net income under present conditions

Pursuant to a review of the increasing rate of obsolescence in this area, the old administrative standards for estimated depreciable lives of textile machinery are being adjusted. Specifically, the estimated useful lives suggested by the Internal Revenue Service for most textile machinery and equipment have been reduced from twenty-five years or longer to fifteen years, and in some cases twelve years. The resulting speeding up of depreciation deductions to reflect current technological conditions, will be of significant help to the industry in enabling it to modernize, meet foreign competition, and provide jobs.

But the significance of this announcement goes far beyond the textile industry, important as that may be.

As the announcement indicates, the Treasury's study of depreciation allowances is proceeding with respect to new investment regardless of its relationship to current depreciation allowances, it is believed that much of the original opposition has evaporated.

One other source of concern and opposition was the fear of some that the adoption of the investment credit would foreclose progress on the redeterminations of the proper length of life of plant and equipment. This fear should now be dissipated in the light of new and clear evidence to the contrary. Those who opposed the credit because they viewed it as an alternative to depreciation reform should be reassured by the White House statement yesterday (October 11) in connection with the modification by the Treasury Department of administrative guidelines governing depreciation allowances for tax purposes in the textile industry.

demand and help reduce existing over-capacity, thereby making industry more receptive to favorable decisions on expansion and modernization projects.

It should have beneficial short-term and longer-term employment effects, providing jobs for the workers in the process of providing new machinery and equipment and the additional investment to back up many productive jobs. Obviously, it will increase the rate of capital formation.

Much of the early opposition to the investment credit proposal came from those who felt that in its original form it was too complicated and discriminatory, because of the high premium given to those who expended a sum in excess of current depreciation allowances. With the Administration's willingness to accept the preference of many members of the Ways and Means Committee for a credit against income tax equal to eight percent of the cost of is of great significance in our effort to maintain the international strength of the dollar.

The widespread benefits of the investment credit will be both immediate and long-range; it will make definite contributions to increasing employment, capital formation, and the national output. Estimates of the actual effect of the credit in inducing additional investment are based on calculation of investment response to (1) higher after-tax profitability and, (2) increased cash flow available for investment. Response will also vary with economic conditions, being substantially greater in recovery phases of the economy. In addition to adding to gross national product through investment, the investment credit should have a multiplier effect due to spreading of the incomes generated in the purchase and construction of new facilities. This, in turn, should expand aggregate this respect the credit is superior to a corresponding reduction in the rate of the corporate income tax or to a corresponding allowance for accelerated depreciation. In view of the nation's heavy domestic and international commitments, tax relief to stimulate investment must provide the maximum effect per dollar of revenue lost.

The investment credit has other advantages. It is a tax offset, not a deduction from gross receipts made in the computation of net income. The credit will not be recorded on company books as a cost of operation. The credit will therefore be less likely to distort the costs of business firms and thus influence business decisions and stock market appraisals. In particular, the credit is not likely to become the basis for increased prices. This advantage of the credit over accelerated depreciation

in turn, should expand aggregate

The measures under active consideration include a withholding on interest and dividends, repeal of the dividend credit and exclusion, a legislative tightening of the provision on expense accounts, the withdrawal of capital gains treatment on the disposition of depreciable property to the extent the depreciation has been deducted from such property by the seller in previous years, the equitable taxation of cooperatives, mutual casualty companies, mutual savings institutions, and the removal of some special privileges allowed on foreign income, particularly in the abuse of so-called "tax havens."

Use of a tax credit is not the only method available to encourage a higher rate of investment. This method was selected, however, as the method which gives the greatest inducement to investment per dollar of revenue loss. In tax equal to eight percent of the cost of new investment. The credit would be allowed for qualified investments where the property purchased has a useful life of at least six years. The credit is, in general, limited to tangible personal property used in manufacturing, extraction, transportation, or communications.

It is estimated that the revenue loss from the investment credit proposal in its present form would be approximately $1.1 billion annually. It is proposed by the Treasury -- and the President insists -- that the enactment of the investment tax credit be accompanied by the correction of some of the serious defects in the income tax structure which will provide revenue gains sufficient to offset the cost of the credit and keep the revenue-producing potential of our tax structure intact.

Here is a brief status report on <u>both</u> aspects of the proposed program. Extensive hearings have been held in the Ways and Means Committee of the House of Representatives which has released a tentative draft of legislation for "discussion" purposes that includes the tax credit investment incentive feature. Chairman Mills has promised that a tax revision measure including this feature will be the Committee's first order of business in January.

The Committee's discussion draft does not contain the incentive credit in exactly the form the President recommended in April, but the Treasury Department believes the need for an investment stimulus is so urgent that the modified proposal should receive our full support. The discussion draft provides for a credit against income

The President's program of tax revision delivered to the Congress last April 20 contemplated this two-pronged attack. A major aspect of that program provides for a new incentive to investment by allowing a tax credit to those who invest in more modern machinery and equipment. This proposal represents a major innovation in American tax law.

At the same time, the President noted that the proper determination of the length of an asset's life and proper methods of depreciation have a normal and important function in determining taxable income, wholly apart from any considerations of incentive. He stated that "A review of these rules and methods is under way in the Treasury Department as a part of its over-all tax reform study to determine whether changes are appropriate and, if so, what form they should take. Adoption of the proposed incentive credit would in no way foreclose later action on these aspects of depreciation."

costs, total depreciation in excess of one hundred percent of cost regardless of price changes, initial allowances in the year of acquisition which make possible a very rapid recovery of an investment in machinery though they do not give total allowances in excess of cost, and special additional allowances above cost."

These other countries typically give shorter life estimates for depreciation than those contained in the "Bulletin F" of the Internal Revenue Service, last revised in 1942, <u>and</u> many of the countries <u>also</u> give additional tax allowances or incentives in the year of acquisition. The competitive disadvantage of U. S. manufacturers in <u>both</u> categories is important to note. This Administration intends to move to diminish this disadvantage in both facets to effect an over-all depreciation reform. In so doing it seeks a tax policy for growth and productivity.

The depreciation allowances authorized for Federal income tax deductions in this country are probably among the most limited in the world. As one highly qualified student (Professor Dan Throop Smith) puts it in a recent analysis:

"Other countries, in order to minimize tax barriers to economic growth, have established depreciation rates for machinery and equipment which are based on life estimates probably appreciably shorter than the average lives in actual use, though they are not unrealistic at a time of great technological change. In addition to shorter life estimates, many countries allow one or more of the following: revaluations and special allowances to offset higher replacement

Viewed against the background of a declining or lagging rate of investment in this vital sector as compared to other industrialized societies, friendly and less friendly alike, we ask ourselves what do they have that we haven't.

Now, perhaps there are many facets to a full answer to this question. But tax experts, businessmen, economists, responsible public officials in the Executive establishment in this Administration and the last one, as well as experienced observers in the responsible committees in Congress, all generally agree that one of the important contributory factors to America's lag in this vital field in recent years is the difference in tax policy for machinery and equipment in our country and that followed by other industrialized countries. gher replace but in price as well. We don't have to be the cheapest, but we can't afford to be priced out of the market at home or abroad.

That is why every effort must be made to avoid out of line increases in prices or wages; but that in itself won't be enough. It won't be enough because our competitors in Western Europe and Japan have been modernizing their equipment faster than American manufacturers and are cutting unit costs and improving quality in the process to add to the advantage they have in relatively lower wage scales.

So, wholly apart from the question of expansion of capacity to meet growth needs, there is a great stake in the modernization of our manufacturing equipment.

rate of $6 billion. That surplus, however, reflects recession conditions at home early this year during a time of boom abroad -- a temporary situation which holds imports down and increases exports. As our recovery progresses our imports will rise and cut into that surplus, so we cannot expect continued improvement without all-out effort.

The Administration has stepped up services to exporters and we are putting together a comprehensive export insurance program. But a real effort is needed on the part of business to continue to improve its share of foreign markets with the competitive spirit comparable to the drive that created our vast domestic markets.

If this drive is to be successful American production must be competitive, not only in quantity, buys — at least $6 billion more. This places a ste high premium upon the competitive position of U. S. based production in relation to foreign manufacturing. The simple truth is that the U. S., to a large extent, is depending on the aggressive, competitive drive of American business to meet the underlying problem behind our balance of payments deficits without diminishing our national security and world position.

Deficits in our international balance of payments totalled about $11 billion in the three years 1958-60.

Lately, however, as a result of many actions taken by the government, there has been some improvement in our balance of payments situation. But the heart of the problem is our merchandise trade account — that is where we make or break. Earlier this year our merchandise trade surplus was running at an annual lead to higher output. As investment in plant modernization and expansion contributes to a larger export trade for our nation, as it puts people to work in the capital goods industries, as it preserves and expands our domestic market through competitive efficiency, it contributes to the economy's long-term growth.

Third, increasing investment in the modernization of machinery and equipment is vital to a long-term solution of our newest economic problem bound up in the phrase "balance of payments." If the nation is to finance the maintenance of our military forces overseas, as well as finance our investment abroad, and that minor portion of our foreign aid which is in dollars, it must sell more merchandise abroad than it

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forecasters are warning that the rising economy may level off in mid-1962 or early 1963, and that there is a real danger of another slump. The projection of a healthy increase in investment levels for machinery and equipment, whether for modernization or expansion, would be added insurance that the current recovery would reverse the trend to ever shorter up-swings and give promise for a healthy and more enduring one. vital to ng-term

Second, increasing investment levels in machinery and equipment would do double duty in increasing our rate of economic growth. The figures previously cited suggesting a relationship between equipment investment and economic growth merely reflect the proposition that expanding the productive base, or improving its efficiency, or both, should

First, increasing investment levels in machinery and equipment in the years ahead will help make our present economic recovery a vigorous and long lasting one. Additional expenditures on machinery and equipment and the plants and facilities necessary to house it will create more jobs in the capital goods industries. There is a startling association between vigorous and lengthy up-swings in the economic cycle and a healthy increase in the levels of capital goods expenditures. Our last three recoveries have lasted forty-five months, thirty-five months and twenty-five months, respectively, in that order. Since World War II approximately fourteen quarterly periods, or twenty-three percent of the total, have been periods of recession. Already some economic of the Communist Party in February 1959, Khrushchev summarized his assessment of the situation in these words:

> "The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure Soviet victory in peaceful economic competition with the capitalistic countries; development of the Soviet economic might ~~well~~ will give communism a decisive edge in the international balance of power."

Against this factual background let us consider how tax policy for increasing investment levels in productive machinery and equipment affects the three vital national economic objectives mentioned earlier.

Our gross fixed capital expenditures (other than housing) have declined from 12.5 percent of GNP in 1948 to 9.5 percent in 1960. By comparison, the investment ratio in Western European countries rose from an average of 13.3 percent of GNP in 1951-55 to 15.1 percent of GNP in 1956-60.

Even greater percentages of GNP are said to be devoted to new machinery and equipment in Japan. This means our manufacturers must compete against their friendly rivals in the Free World to get a larger share of export markets and to keep imports from getting a larger share of our domestic markets, with our machinery and equipment being replaced at a much slower rate than theirs.

And what about competitors who are not so friendly? In his 10-hour speech to the 21st Congress example is the most spectacular -- their proportion of capital equipment and plant under five years of age grew from one-sixth of the total in 1948 to two-fifths in 1957.

Another indication of a slowdown in U. S. capital formation is the levelling-off in business expenditures on plant and equipment. Recent estimates indicated businessmen planned to spend \$34.6 billion in new plant and equipment in 1961, a decline of three percent from 1960 and of six and one-half percent from 1957.

This pattern is even more disturbing when measured against the performance of investment levels in productive machinery and equipment in other industrialized societies, friendly and less friendly.

U. S. economy. Fifty percent of our present productive capacity was installed before or during World War II. More than sixty-five percent was installed before the Korean War. Thus, of all business plant and equipment less than one-third is modern in the sense of being new since 1950.

Estimates show that there has been a startling rise in recent years in the proportion of our national machinery and equipment which is over ten years old. It now averages more than nine years, and from 1954 to 1959 the stock of equipment over ten years old rose by fifty percent. In a dynamic economy that average should be falling, as new equipment is put into place.

Meanwhile, other countries have been lowering the average age of their fixed capital. The German

In his first Message to the Congress, which was devoted to a program to restore momentum to the American economy, President Kennedy set out this national objective:

> ". . . 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 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."

Certain fundamental facts disclose the reasons for this emphasis on renewed vigor and vitality for the developed countries in their efforts for economic progress. A rapid rate of economic growth will permit our meeting all of these needs more easily while minimizing the strain imposed on the civilian private sector of our economy.

Yet, instead of an increasing rate of economic growth to meet these increasing challenges, the nation has been confronted by a lagging rate of growth. From a historic growth rate of three percent per annum in gross national product (1909-1956 in constant prices) we have fallen to two percent in the latter part of the 1950's. In the last five years Western Europe has grown at double or triple our recent rate, and Japan has grown even faster. C.I.A. estimates that the annual rate growth of the Soviet economy was seven percent during the '50's.

growth is suggested by the fact that manufacturing establishments now have available about 10 horsepower per wage earner, as compared with 1.25 horsepower in 1879. Net investment in structures, equipment and inventories is now equal to about nine thousand dollars for each employee in manufacturing.

Even though these past accomplishments represent a record of which we can all be proud, we are today facing immense new challenges both at home and abroad. We have large unmet needs on the domestic scene. In addition, I need not remind you of our continuing needs in the area of national security -- intensified in recent weeks by the uncertain situation in Berlin and at other vital points -- needs that require a tremendous quantity of our resources. We are also heavily committed to assisting the peoples in the lesser give attention to policies favoring completely new ventures which involve a high degree of risk and growth potential."

What are some of the underlying factors which bear upon the importance of increasing investment levels in productive machinery and equipment?

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The Commission recognized that:

"Such growth is essential to move toward our goal of full employment, to provide jobs for the approximate 13-1/2 million net new additions to the work force during the next ten years; to improve the standard of living; and to assure the U. S. competitive strength."

In its prescription for efficient economic growth, the Commission singled out tax policy, saying:

"Public policies, particularly an overhaul of the tax system, including depreciation allowances, should seek to improve the climate for new investment and the balancing of investment with consumption. We should

First, it encourages the long-term growth of our economy. Second, it improves our international balance of payments position by increasing competitive efficiency. And, third, it contributes to making our present economic recovery a vigorous and long lasting one. One of the best ways to increase investment levels in productive machinery and equipment is through tax treatment of this investment. That is why this Administration has undertaken thorough-going depreciation reform.

In the Report of the President's Commission on National Goals in November 1960 a group of distinguished Americans of varied political faiths appointed by President Eisenhower described as one of our major goals that: "The economy should grow at the maximum rate consistent with primary dependence upon free

Today I will discuss one particular aspect of tax policy -- one so important that President Kennedy singled it out for urgent treatment on a priority basis in his first Tax Message. I refer to the development of a tax policy which will promote economic growth and productivity by encouraging the modernization and expansion of machinery and equipment.

While the comprehensive national review and revision of tax policy proceeds, this "first and urgent step" should be taken promptly in line with the President's schedule of priorities.

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reform while assuring the adequacy of revenues for national defense and other essential needs.

It is contemplated that the recommendations will be presented to the Congress sometime in the 1962 session after there has been a suitable period for further Congressional consideration of the specific tax proposals which were the subject of extensive hearings before the House Ways and Means Committee from early in last May until late in August of this year.

Hence, the schedule calls for an intensive national examination of tax policy in 1962 and 1963. Let us hope that this will result in decisions recognizing the changing requirements of our economic and international position and the need for constructive reforms to keep our tax system up to date and maintain its equity.

law and a balanced structure which contributes more effectively to our economic goals of stability at high levels of employment and to a more rapid rate of growth. There is widespread recognition, as indicated in the earlier Congressional studies, that these objectives would be served by providing a broader and more uniform income tax base and an adjustment of the rates of tax.

The general objectives can be attained only by specific steps. The Treasury's studies are for the purpose of determining whether and to what extent it may be appropriate to revise particular provisions of the existing law at the same time that suitable and complementary adjustments are made in the rate structure. It is expected that these studies will result in recommendations for broad and constructive his Tax Message of April 20, 1961, the Treasury Department has undertaken a review of the tax system in preparation for a comprehensive tax reform program. This review will make use of recent tax studies of the Congress, particularly those of the Committee on Ways and Means and the Joint Economic Committee. Also research projects are being conducted on various features of the tax laws, including in the income tax area the exclusions, deductions, and credits, some of which now provide forms of special tax treatment. These investigations will provide information on the operation and effects of various present provisions and provide a basis for legislative recommendations for improvement.

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It will be incumbent for all Americans to consider tax policy and the national interest in the years just ahead. For President Kennedy and his Administration will put forward, not only the specific "first step" proposals submitted in the last session of Congress because they are so urgently needed, but also a long-range and thorough-going program of tax revision and reform.

In accordance with the President's directive in

For Release Upon Delivery

Treasury Department
Washington

97 October 1

the Honorable

REMARKS OF HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE 1961 FALL CONFERENCE OF THE AMERICAN RETAIL FEDERATION, WARWICK HOTEL, NEW YORK ~~CITY~~, NEW YORK, THURSDAY, OCTOBER 12, 1961, 12:30 P.M., EDT

A Tax Policy for Growth and Productivity -- Everybody's Business

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But it is not necessarily the case. It is altogether possible for special interests to supersede the national interest in tax policy formulation. To achieve a tax policy in the national interest, there must be a national interest in tax policy. Otherwise, tax policy tends to become the special preserve of those enjoying or seeking privileged sanctuaries, no matter how conscientiously the Executive Branch and the responsible committees of Congress seek to improve the system.

D-267

TREASURY DEPARTMENT
Washington

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1.25 horsepower in 1879. Net investment in structures, equipment and inventories is now equal to about nine thousand dollars for each employee in manufacturing.

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In his first Message to the Congress, which was devoted to a program to restore momentum to the American economy, President Kennedy set out this national objective:

> ". . . 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 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."

Certain fundamental facts disclose the reasons for this emphasis on renewed vigor and vitality for the U. S. economy. Fifty percent of our present productive capacity was installed before or during World War II. More than sixty-five percent was installed before the Korean War. Thus, of all business plant and equipment less than one-third is modern in the sense of being new since 1950.

Estimates show that there has been a startling rise in recent years in the proportion of our national machinery and equipment which is over ten years old. It now averages more than nine years, and from 1954 to 1959 the stock of equipment over ten years old rose by fifty percent. In a dynamic economy that average should be falling as new equipment is put into place.

Meanwhile, other countries have been lowering the average age of their fixed capital. The German example is the most spectacular -- their proportion of capital equipment and plant under five years of age grew from one-sixth of the total in 1948 to two-fifths in 1957.

Another indication of a slowdown in U. S. capital formation is the levelling-off in business expenditures on plant and equipment. Recent estimates indicated businessmen planned to spend $34.6 billion in new plant and equipment in 1961, a decline of three percent from 1960 and of six and one-half percent from 1957.

This pattern is even more disturbing when measured against the performance of investment levels in productive machinery and equipment in other industrialized societies, friendly and less friendly.

Our gross fixed capital expenditures (other than housing) have declined from 12.5 percent of GNP in 1948 to 9.5 percent in 1960. By comparison, the investment ratio in Western European countries rose from an average of 13.3 percent of GNP in 1951-55 to 15.1 percent of GNP in 1956-60.

Even greater percentages of GNP are said to be devoted to new machinery and equipment in Japan. This means our manufacturers must compete against their friendly rivals in the Free World to get a larger share of export markets and to keep imports from getting a larger share of our domestic markets, with our machinery and equipment being replaced at a much slower rate than theirs.

And what about competitors who are not so friendly? In his 10-hour speech to the 21st Congress of the Communist Party in February 1959, Khrushchev summarized his assessment of the situation in these words:

> "The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure Soviet victory in peaceful economic competition with the capitalistic countries; development of the Soviet economic might will give communism a decisive edge in the international balance of power."

Against this factual background let us consider how tax policy for increasing investment levels in productive machinery and equipment affects the three vital national economic objectives mentioned earlier.

First, increasing investment levels in machinery and equipment in the years ahead will help make our present economic recovery a vigorous and long lasting one. Additional expenditures on machinery and equipment and the plants and facilities necessary to house it will create more jobs in the capital goods industries. There is a startling association between vigorous and lengthy

p-swings in the economic cycle and a healthy increase in the levels f capital goods expenditures. Our last three recoveries have asted forty-five months, thirty-five months and twenty-five months, espectively, in that order. Since World War II approximately ourteen quarterly periods, or twenty-three percent of the total, have een periods of recession. Already some economic forecasters are arning that the rising economy may level off in mid-1962 or early .963, and that there is a real danger of another slump. The rojection of a healthy increase in investment levels for machinery nd equipment, whether for modernization or expansion, would be dded insurance that the current recovery would reverse the trend to ver shorter up-swings and give promise for a healthy and more nduring recovery.

Second, increasing investment levels in machinery and equipment ould do double duty in increasing our rate of economic growth. he figures previously cited suggesting a relationship between quipment investment and economic growth merely reflect the roposition that expanding the productive base, or improving its fficiency, or both, should lead to higher output. As investment in lant modernization and expansion contributes to a larger export rade for our nation, as it puts people to work in the capital goods ndustries, as it preserves and expands our domestic market through ompetitive efficiency, it contributes to the economy's long-term rowth.

Third, increasing investment in the modernization of machinery nd equipment is vital to a long-term solution of our newest economic roblem bound up in the phrase "balance of payments." If the nation s to finance the maintenance of our military forces overseas, as ell as finance our investment abroad, and that minor portion of our oreign aid which is in dollars, it must sell more merchandise broad than it buys -- at least $6 billion more. This places a high remium upon the competitive position of U. S. based production in elation to foreign manufacturing. The simple truth is that the . S., to a large extent, is depending on the aggressive, competitive rive of American business to meet the underlying problem behind our alance of payments deficits without diminishing our national ecurity and world position.

Deficits in our international balance of payments totalled about 11 billion in the three years 1958-60.

Lately, however, as a result of many actions taken by the overnment, there has been some improvement in our balance of payments ituation. But the heart of the problem is our merchandise trade ccount -- that is where we make or break. Earlier this year our erchandise trade surplus was running at an annual rate of $6 illion. That surplus, however, reflects recession conditions at ome early this year during a time of boom abroad -- a temporary situation which holds imports down and increases exports. As our recovery progresses our imports will rise and cut into that surplus, so we cannot expect continued improvement without all-out effort.

The Administration has stepped up services to exporters and we are putting together a comprehensive export insurance program. But a real effort is needed on the part of business to continue to improve its share of foreign markets with the competitive spirit comparable to the drive that created our vast domestic markets.

If this drive is to be successful American production must be competitive, not only in quality, but in price as well. We don't have to be the cheapest, but we can't afford to be priced out of the market at home or abroad.

That is why every effort must be made to avoid out of line increases in prices or wages; but that in itself won't be enough. It won't be enough because our competitors in Western Europe and Japan have been modernizing their equipment faster than American manufacturers and are cutting unit costs and improving quality in the process to add to the advantage they have in relatively lower wage scales.

So, wholly apart from the question of expansion of capacity to meet growth needs, there is a great stake in the modernization of our manufacturing equipment.

Viewed against the background of a declining or lagging rate of investment in this vital sector as compared to other industrialized societies, friendly and less friendly alike, we ask ourselves what do they have that we haven't.

Now, perhaps there are many facets to a full answer to this question. But tax experts, businessmen, economists, responsible public officials in the Executive establishment in this Administration and the last one, as well as experienced observers in the responsible committees in Congress, all generally agree that one of the important contributory factors to America's lag in this vital field in recent years is the difference in tax policy for machinery and equipment in our country and that followed by other industrialized countries.

The depreciation allowances authorized for Federal income tax deductions in this country are probably among the most limited in the world. As one highly qualified student (Professor Dan Throop Smith) puts it in a recent analysis:

> "Other countries, in order to minimize tax barriers to economic growth, have established depreciation rates for machinery and equipment which are based on life estimates probably appreciably shorter than the average lives in actual use, though they are not unrealistic at

a time of great technological change. In addition to shorter life estimates, many countries allow one or more of the following: revaluations and special allowances to offset higher replacement costs, total depreciation in excess of one hundred percent of cost regardless of price changes, initial allowances in the year of acquisition which make possible a very rapid recovery of an investment in machinery though they do not give total allowances in excess of cost, and special additional allowances above cost."

These other countries typically give shorter life estimates for depreciation than those contained in the "Bulletin F" of the Internal Revenue Service, last revised in 1942, and many of the countries also give additional tax allowances or incentives in the year of acquisition. The competitive disadvantage of U. S. manufacturers in both categories is important to note. This Administration intends to move to diminish this disadvantage in both facets to effect an over-all depreciation reform. In so doing it seeks a tax policy for growth and productivity.

The President's program of tax revision delivered to the Congress last April 20 contemplated this two-pronged attack. A major aspect of that program provides for a new incentive to investment by allowing a tax credit to those who invest in more modern machinery and equipment. This proposal represents a major innovation in American tax law.

At the same time, the President noted that the proper determination of the length of an asset's life and proper methods of depreciation have a normal and important function in determining taxable income, wholly apart from any considerations of incentive. He stated that "A review of these rules and methods is under way in the Treasury Department as a part of its over-all tax reform study to determine whether changes are appropriate and, if so, what form they should take. Adoption of the proposed incentive credit would in no way foreclose later action on these aspects of depreciation."

Here is a brief status report on both aspects of the proposed program.

Extensive hearings have been held in the Ways and Means Committee of the House of Representatives which has released a tentative draft of legislation for "discussion" purposes that includes the tax credit investment incentive feature. Chairman Mills has promised that a tax revision measure including this feature will be the Committee's first order of business in January.

The Committee's discussion draft does not contain the incentive credit in exactly the form the President recommended in April, but the Treasury Department believes the need for an investment stimulus is so urgent that the modified proposal should receive our full upport. The discussion draft provides for a credit against income ax equal to eight percent of the cost of new investment. The redit would be allowed for qualified investments where the property urchased has a useful life of at least six years. The credit is, n general, limited to tangible personal property used in manufacturing, xtraction, transportation, or communications.

It is estimated that the revenue loss from the investment credit roposal in its present form would be approximately $1.1 billion nnually. It is proposed by the Treasury -- and the President nsists -- that the enactment of the investment tax credit be ccompanied by the correction of some of the serious defects in the ncome tax structure which will provide revenue gains sufficient to ffset the cost of the credit and keep the revenue-producing otential of our tax structure intact. The measures under active onsideration include a withholding on interest and dividends, repeal f the dividend credit and exclusion, a legislative tightening of the rovision on expense accounts, the withdrawal of capital gains reatment on the disposition of depreciable property to the extent he depreciation has been deducted from such property by the seller n previous years, the equitable taxation of cooperatives, mutual asualty companies, mutual savings institutions, and the removal f some special privileges allowed on foreign income, particularly n the abuse of so-called "tax havens."

Use of a tax credit is not the only method available to ncourage a higher rate of investment. This method was selected, owever, as the method which gives the greatest inducement to invest- ent per dollar of revenue loss. In this respect the credit is iperior to a corresponding reduction in the rate of the corporate ncome tax or to a corresponding allowance for accelerated epreciation. In view of the nation's heavy domestic and inter- ational commitments, tax relief to stimulate investment must provide ne maximum effect per dollar of revenue lost.

The investment credit has other advantages. It is a tax off- et, not a deduction from gross receipts made in the computation net income. The credit will not be recorded on company books as cost of operation. The credit will therefore be less likely to istort the costs of business firms and thus influence business ecisions and stock market appraisals. In particular, the credit not likely to become the basis for increased prices. This lvantage of the credit over accelerated depreciation is of great gnificance in our effort to maintain the international strength the dollar.

The widespread benefits of the investment credit will be both mediate and long-range; it will make definite contributions to creasing employment, capital formation, and the national output. timates of the actual effect of the credit in inducing additional vestment are based on calculation of investment response to

(1) higher after-tax profitability and, (2) increased cash flow available for investment. Response will also vary with economic conditions, being substantially greater in recovery phases of the economy. In addition to adding to gross national product through investment, the investment credit should have a multiplier effect due to spreading of the incomes generated in the purchase and construction of new facilities. This, in turn, should expand aggregate demand and help reduce existing over-capacity, thereby making industry more receptive to favorable decisions on expansion and modernization projects.

It should have beneficial short-term and longer-term employment effects, providing jobs for the workers in the process of providing new machinery and equipment and the additional investment to back up many productive jobs. Obviously, it will increase the rate of capital formation.

Much of the early opposition to the investment credit proposal came from those who felt that in its original form it was too complicated and discriminatory, because of the high premium given to those who expended a sum in excess of current depreciation allowances. With the Administration's willingness to accept the preference of many members of the Ways and Means Committee for a credit against income tax equal to eight percent of the cost of new investment regardless of its relationship to current depreciation allowances, it is believed that much of the original opposition has evaporated.

One other source of concern and opposition was the fear of some that the adoption of the investment credit would foreclose progress on the redeterminations of the proper length of life of plant and equipment. This fear should now be dissipated in the light of new and clear evidence to the contrary. Those who opposed the credit because they viewed it as an alternative to depreciation reform should be reassured by the White House statement yesterday (October 11) in connection with the modification by the Treasury Department of administrative guidelines governing depreciation allowances for tax purposes in the textile industry.

Pursuant to a review of the increasing rate of obsolescence in this area, the old administrative standards for estimated depreciable lives of textile machinery are being adjusted. Specifically, the estimated useful lives suggested by the Internal Revenue Service for most textile machinery and equipment have been reduced from twenty-five years or longer to fifteen years, and in some cases twelve years. The resulting speeding up of depreciation deductions to reflect current technological conditions, will be of significant help to the industry in enabling it to modernize, meet foreign competition, and provide jobs.

But the significance of this announcement goes far beyond the textile industry, important as that may be.

As the announcement indicates, the Treasury's study of depreciation allowances is proceeding with respect to all industries, the study of depreciation schedules for the textile industry having been accelerated because of the Presidential priority given to it on May 2 of this year.

Whether or not adjustments downward in the estimated lives of assets in other industries is suggested will depend upon the results of the studies by the Treasury Department of other industries. It is expected that adjustments will be suggested wherever recent and prospective technological developments can be shown to be opening the gap between existing practices and the requirements imposed by such developments. The main objectives of the studies under way are to make an appraisal of the realism of asset lives and salvage values currently in use for computing depreciation. The accuracy of present allowances in measuring net income under present conditions bears directly upon the fundamental question of what the taxpayer properly owes.

Accordingly, adjustments in depreciation rates because of changes in permissible lives of assets should not be confused with the investment tax credit or other measures designed primarily to provide incentives for modernization and expansion of capital equipment. However, where they become applicable, liberalized depreciation allowances will incidentally facilitate and encourage modernization and expansion of investment in machinery and equipment and other capital facilities.

The nature of the depreciation studies being carried forward as a part of the long-range tax reform program of the Treasury Department may be of general interest in view of the recent action on textile machinery and the prospects in other areas.

In July 1960, the Treasury Department requested approximately 2,700 large corporations to furnish information on the amount of their depreciable assets, reserves for depreciation, depreciation deductions, and fully depreciated property, the service lives of different types of depreciable property, and the extent to which the new methods of depreciation provided by the Internal Revenue Code of 1954 had been adopted. In addition, a questionnaire was sent to these corporations requesting information on depreciation practices, experience under the present law, and opinions on various alternative proposals for revision of the depreciation system. In cooperation with the Small Business Administration, the questionnaire portion of the survey material was also mailed to about 7,600 small businesses. Completed material was furnished by about 2,000 of the large corporations and 1,300 of the smaller firms.

Another study also begun in 1960 involves a tabulation of the detailed depreciation information submitted on 1959 corporation tax returns. This study, based on a representative statistical sample, will provide more detailed information by asset type, year of acquisition, and depreciation method than that obtained from the

Treasury Depreciation Survey. An analysis of the data obtained from these studies is being made by the Treasury staff and by consultants.

Data provided by these studies will enable a general comparison to be made between the depreciable lives used by some taxpayers and the lives listed in Bulletin F. Information will be available concerning the variation in depreciation rates used on similar assets among firms within the same industry and among various industries. For the first time, detailed data on the use of the new depreciation methods will be provided. The questionnaire portion of the Treasury Depreciation Survey will reveal the general opinions of taxpayers as to whether present depreciation allowances are reasonably satisfactory, the major reasons for any inadequacy in depreciation, as well as opinions concerning various proposals for changing the tax treatment of depreciation.

The National Income Division of the Department of Commerce is preparing a detailed breakdown of corporation purchases of plant and equipment year by year from 1914 to 1959. Comparison of this material with the data obtained from corporate tax returns is expected to permit calculation of the average actual lives of assets, which can be compared with tax depreciable lives. The Business and Defense Services Administration in the Commerce Department is also assisting the Treasury in a statistical study of the rate at which machinery and equipment loses its economic usefulness as a basis for determining realistic patterns for spreading the cost of an asset over its estimated service life.

In connection with the study of the administration of the depreciation provisions, information has been obtained concerning changes made in salvage value and life of depreciable assets upon examination of corporate returns by the Internal Revenue Service. This study will permit an analysis of the classes and length of life of assets for which the estimated useful lives and salvage values have been materially altered, as well as the reasons for such adjustments.

The Treasury Department has also obtained material on the depreciation systems of various foreign countries in order that comparisons can be made with the United States with respect to methods of depreciation permitted, typical depreciation rates, accelerated depreciation provisions, investment incentives, and the treatment of gains or losses on the disposition of depreciable assets.

Questions as to the rate of change of capital productivity and labor productivity, the rate of technological obsolescence, and the effect of changes in the price level are being considered.

The results of these studies and analyses will be made available to the appropriate committees of Congress during the next session either in connection with administrative action of a corrective nature or as a basis for legislative proposals in this area which

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ould be a part of the President's comprehensive program for tax evision and reform.

To the degree that this course of action results in a reduction n the average tax lives of capital goods and, hence, the increase n rates of depreciation now in use, there will be considerable conomic significance. Depreciation provides increased funds to eplace capital equipment, particularly where rapid obsolescence is major factor. The faster the depreciation deductions the reater the flow of internal funds from business operations and the reater the prospects of securing modern plants. Thus, in a ractical sense faster depreciation is likely to set the stage for aster replacement. The fact that full depreciation can be taken nd the investment recovered over a shorter period of time is an nderstandable inducement to commit funds to the investment. The horter the term, the greater the confidence in payout. Faster epreciation also facilitates financing of new capital outlays since unds arising through depreciation may be used to repay debt ncurred to purchase a capital asset. It also increases the pportunity for capital investment by shifting taxes to later years.

CONCLUSION

With this two-pronged approach toward a tax policy for increasing nvestment in productive machinery and equipment, the investment tax redit and an adjustment of the lives of capital assets for epreciation purposes to conform to existing conditions and echnological obsolescence -- there will be a real beginning towards ttuning tax policy to two of our major national objectives -- ealthy economic growth and increasing competitive efficiency. But s was indicated in the beginning, this is but one step in a long rogram of comprehensive tax revision. True, it is one which eserves a high priority of treatment, which it is receiving. owever, there are many other areas for constructive reform to keep ur tax system up-to-date and maintain its equity. If the nation s to make progress in these areas in the years ahead, it will require he increasing concern of the average American that tax policy conform o the national interest rather than special interest.

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STATUTORY DEBT LIMITATION

As of September 30, 1961

Washington, Oct.13, 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, 1961 (P. L. 87-69 87th Congress) provides that during the period beginning on July 1, 1961 and ending June 30, 1962, the above limitation ($285,000,000,000) shall be temporarily increased by $13,000,000,000.

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			$298,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$41,938,824,000		
Certificates of indebtedness	5,509,218,000		
Treasury notes	65,187,902,000	$112,635,944,000	
Bonds -			
Treasury	79,289,062,150		
*Savings (current redemp. value)	47,670,040,498		
Depositary	149,283,500		
R. E. A. series	20,935,000		
Investment series	5,550,755,000	132,680,076,148	
Ctfs. -- Foreign Series		450,000,000	
Special Funds -			
Certificates of indebtedness	6,943,909,000		
Treasury notes	7,845,126,000		
Treasury bonds	30,217,837,000	45,006,872,000	
Total interest-bearing		290,772,892,148	
Matured, interest-ceased		372,152,698	
Bearing no interest:			
United States Savings Stamps	50,428,265		
Excess profits tax refund bonds	747,136		
Special notes of the United States:			
Internat'l Monetary Fund series	2,054,000,000		
Internat'l Develop. Ass'n.	57,652,200	2,162,827,601	
Total		293,307,872,447	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	270,095,950		
Matured, interest-ceased	532,075	270,628,025	
Grand total outstanding			293,578,500,472
Balance face amount of obligations issuable under above authority			4,421,499,528

Reconcilement with Statement of the Public Debt September 30, 1961
(Date)

(Daily Statement of the United States Treasury, September 29, 1961)
(Date)

Outstanding -	
Total gross public debt	293,749,860,978
Guaranteed obligations not owned by the Treasury	270,628,025
Total gross public debt and guaranteed obligations	294,020,489,003
Deduct - other outstanding public debt obligations not subject to debt limitation	441,988,531
	293,578,500,472

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As of September 30, 1961

Washington, Oct. 13, 1961

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Western Europe and Japan, he noted, have recently had a significantly higher level of investment in productive equipment than our own, and this undoubtedly contributed to their rapid growth.

As for the reason behind lagging American rate of investment in productive equipment, he noted there is general agreement "that one of the important contributory factors to America's lag in this vital field in recent years is the difference in tax policy for machinery and equipment in our country and that followed by other industrialized countries."

In both areas of tax policy affecting investment in productive equipment, he added, American manufacturers are at a disadvantage compared to their foreign competitors.

"This Administration," he said, "intends to move to diminish this disadvantage in both facets to effect an over-all depreciation reform. In so doing, it seeks a tax policy for growth and productivity."

oOo

Second, they contribute to improving the United States balance of payments position, by making our ~~exports more~~ position more competitive in comparison to ~~and~~ other industrialized countries. ~~and increasing our export markets.~~ The United States, he said, is depending to a large extent "on the aggressive, competitive drive of American business to meet the underlying problem behind our balance of payments deficits" by improving sales in world markets abroad and in meeting the competition of ~~against~~ foreign goods at home.

Third, they contribute to increasing the long-term growth rate of our economy. He noted that our national output, which grew at a rate of three per cent from 1909 to 1956, ~~fell~~ has fallen off during the ~~next~~ last few years to about two per cent. "In the last five years Western Europe has grown at double or triple out our recent rate, and Japan has grown even faster." He added that the U. S. Central Intelligence Agency has estimated the growth rate of the Soviet Union during the 1950's at seven per cent.

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of broad depreciation reform

Progress in these two areas -- investment tax credit and
the downward adjustment in the lives of capital assets, too,
~~depreciation reform~~ -- marks a real start toward a tax policy which will promote healthy economic growth and increase the U. S. competitive efficiency in world markets, he told the retailers.

Such changes in tax policy to increase the level of investment in productive equipment, Under Secretary Fowler said, promote three national economic objectives of vital importance:

First, they contribute to the strength of our present economic recovery. Noting that recent recoveries have been getting shorter, he said that increased levels of investment in
production facilities for either modernization or expansion
~~production~~ will ~~not only~~ create jobs in the capital goods
and contribute to a more healthy
industries~~, but will~~ ~~give momentum to the present recovery by~~
and enduring recovery.
~~expanding and modernizing our facilities and increasing productive efficiency.~~

The success of such a reform program, which the Administration will begin sending to Congress some time next year, he said, "will require the increasing concern of the average American that tax policy conform to the national interest rather than special interest."

"To achieve a tax policy in the public interest, there must be a national interest in tax policy," he said.

He voiced Treasury support for the eight per cent investment credit contained in tentative draft legislation which the chairman and a majority of House Ways and Means Committee have announced will receive early action next year. Opposition to this proposed legislation on the ground that it might be a substitute for ~~the accelerated~~ depreciation reform favored by many manufacturers "should now be dissipated in the light of new and clear evidence to the contrary," he said, referring to the textile industry decision.

For use in PM papers of Thursday, October 11

Under Secretary Henry H. Fowler Addresses Retail Federation

New York, Oct. 11 -- Henry H. Fowler, Under Secretary of the Treasury, said Thursday the Administration has launched a du ~~two-pronged~~ ~~broad~~ attack on the problem of increasing productive investment to spur U. S. economic growth and competitive efficiency. He cited the proposed change in tax policy to give businessmen ~~a~~ an investment tax credit for modernizing productive equipment and machinery, as well as Treasury ~~studies~~ action involving ~~looking toward~~ the downward adjustment in the lives of capital ~~accelerated~~ tax depreciation ~~allowances~~ purposes, which ~~have already developed~~ was announced for the ~~new~~ textile industry ~~policy announced~~ Wednesday by the White House.

In an address to the 1961 Fall Conference of the American Retail Federation ~~here~~ in New York he said such a "two-pronged approach toward a tax policy for increasing investment in productive machinery and equipment" is merely the beginning of a long-range, comprehensive program of tax revision and reform.

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TREASURY DEPARTMENT
Washington, D. C.

October 12, 1961

FOR RELEASE PM PAPERS OF THURSDAY, OCTOBER 12:

UNDER SECRETARY [redacted] FOWLER ADDRESSES RETAIL FEDERATION

Henry H. Fowler, Under Secretary of the Treasury, said Thursday the Administration has launched a broad attack on the problem of increasing productive investment to spur U. S. economic growth. He cited the proposed change in tax policy to give businessmen a tax credit for modernizing productive equipment and machinery, as well as Treasury studies looking toward accelerated tax depreciation allowances, which have already developed the new textile industry policy announced Wednesday by the White House.

He called the government's policy a "two-pronged approach toward a tax policy for increasing investment in productive machinery and equipment" is merely the beginning of a long-range, comprehensive program of tax revision and reform.

Under Secretary Fowler spoke at a luncheon during the 1961 Fall Conference of the American Retail Federation held in New ~~York City~~.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

October 12, 1951

FOR RELEASE 12:30 P.M., EDT
THURSDAY, OCTOBER 12, 1961

UNDER SECRETARY FOWLER ADDRESSES RETAIL FEDERATION

Henry H. Fowler, Under Secretary of the Treasury, said Thursday the Administration has launched a dual attack on the problem of increasing productive investment to spur U. S. economic growth and competitive efficiency. He cited the proposed change in tax policy to give businessmen an investment tax credit for modernizing productive equipment and machinery, as well as Treasury action involving the downward adjustment in the lives of capital assets for tax depreciation purposes, which was announced for the textile industry Wednesday by the White House.

In an address to the 1961 Fall Conference of the American Retail Federation in New York he said such a "two-pronged approach toward a tax policy for increasing investment in productive machinery and equipment" is merely the beginning of a long-range, comprehensive program of tax revision and reform.

The success of such a reform program, which the Administration will begin sending to Congress some time next year, he said, "will require the increasing concern of the average American that tax policy conform to the national interest rather than special interest."

"To achieve a tax policy in the national interest, there must be a national interest in tax policy," he said.

He voiced Treasury support for the eight per cent investment credit contained in tentative draft legislation which the Chairman and a majority of the House Ways and Means Committee have announced will receive early action next year. Opposition to this proposed legislation on the ground that it might be a substitute for depreciation reform favored by many manufacturers "should now be dissipated in the light of new and clear evidence to the contrary," he said, referring to the textile industry decision.

Progress in these two areas of broad depreciation reform -- investment tax credit and the downward adjustment in the lives of capital assets to reflect existing practices and technological obsolescence -- marks a real start toward a tax policy which will promote healthy economic growth and increase U. S. competitive efficiency in world markets, he told the retailers.

Such changes in tax policy to increase the level of investment in productive equipment, Under Secretary Fowler said, promote three national economic objectives of vital importance:

First, they contribute to the strength of our present economic recovery. Noting that recent recoveries have been getting shorter, he said that increased levels of investment in production facilities for either modernization or expansion will create jobs in the capital goods industries and contribute to a more healthy and enduring recovery.

Second, they contribute to improving the United States balance of payments position, by making our position more competitive in comparison to other industrialized countries. The United States, he said, is depending to a large extent "on the aggressive, competitive drive of American business to meet the underlying problem behind our balance of payments deficits" by improving sales in world markets abroad and in meeting the competition of foreign goods at home.

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"This Administration," he said, "intends to move to diminish this disadvantage in both facets to effect an over-all depreciation reform. In so doing, it seeks a tax policy for growth and productivity."

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, October 17, 1961.

October 16, 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 July 20, 1961, and the other series to be dated October 19, 1961, which were offered on October 11, were opened at the Federal Reserve Banks on October 16. 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 January 18, 1962		:	182-day Treasury bills maturing April 19, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.405	2.354%	:	98.624 a/	2.722%
Low	99.395	2.393%	:	98.613	2.744%
Average	99.398	2.382% 1/	:	98.618	2.734% 1/

a/ Excepting 3 tenders totaling $960,000
44 percent of the amount of 91-day bills bid for at the low price was accepted
84 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 33,449,000	$ 15,697,000	:	$ 3,744,000	$ 3,204,000
New York	1,645,453,000	714,015,000	:	899,723,000	457,613,000
Philadelphia	31,575,000	11,355,000	:	7,633,000	2,533,000
Cleveland	29,446,000	26,022,000	:	30,484,000	25,234,000
Richmond	10,620,000	10,320,000	:	7,758,000	7,758,000
Atlanta	18,855,000	15,485,000	:	5,739,000	4,939,000
Chicago	192,390,000	122,108,000	:	94,307,000	57,207,000
St. Louis	52,731,000	31,189,000	:	8,239,000	7,239,000
Minneapolis	25,924,000	14,944,000	:	6,229,000	3,379,000
Kansas City	45,896,000	36,049,000	:	15,818,000	6,928,000
Dallas	15,130,000	15,130,000	:	4,840,000	4,840,000
San Francisco	119,395,000	87,719,000	:	27,558,000	19,483,000
	$2,220,864,000	$1,100,033,000	b/	$1,112,072,000	$600,357,000

b/ Includes $241,400,000 noncompetitive tenders accepted at the average price of 99.398
c/ Includes $60,200,000 noncompetitive tenders accepted at the average price of 98.618
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.43%, for the 91-day bills, and 2.81%, 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.

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Kansas City	45,896,000	36,049,000	15,818,000	6,928,000
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Includes $241,400,000 noncompetitive tenders accepted at the average price of 99.398
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On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.43%, for the 91-day bills, and 2.81%, 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.

More tests lie ahead, and our economic strength will play a major role in determining our capacity to respond. The Federal Government is fully aware of its responsibility to maintain and to increase that strength. We intend to build it by actively promoting a growing economy, while avoiding the waste of national resources that comes from excessive spending. In this way, government and private initiative, working together, can assure an ever stronger Nation in the critical months and years that lie ahead.

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It is my fervent hope -- and that of the President -- that both industry and labor will keep the national interest uppermost in their minds. The automobile makers who are maintaining their price levels, as well as the steel industry, which appears to be relying upon a rise in its production rate to cover a recent wage increase, are both making important contributions to our national well being.

This is a very critical time -- a time to forego unnecessary wage or price increases and, by so doing, to perform a very real public service. The outlook for our economy is good. We are entering a period of promising growth, which will provide benefits for all segments of our Nation -- for labor, for management, and for the consumer. But excessive increases in prices or wages could endanger or even destroy, those benefits. We can realize them, but only through strong effort and self-restraint on the part of the private as well as public sectors of the economy.

In recent months we have seen the will and the capability of this Nation challenged -- in the jungles of South East Asia -- in the city of Berlin -- and in the dark dominion of outer space., price spiral, in which prices and wages chase each other ever higher. As I pointed out earlier, the current deficit ~~was~~ is not creat~~ed~~ing inflationary danger of the classic type. But we must be particularly wary at this time of the second type of inflation: The wage-price spiral.

Wage increases in excess of productivity gains -- when met throug price rises -- present a real danger to our continued economic growth. So do unnecessary price increases. Either can cause us to price ourselves out of world markets, with truly catastrophic results for all o us here at home. This fact was clearly in the minds of the central bankers and finance ministers with whom I talked last month in Vienna at the meetings of the International Bank and Fund. While none of the thought that our current budgetary situation signalled a danger of inflationary developments in the United States, they invariably -- and unanimously -- expressed deep concern over whether we could hold our price levels in the face of the steady pressures for wage-price inflation.

~~Personal income in August rose to an annual rate of four hundred nineteen billion three hundred million dollars -- a new record, if we ignore the special dividend paid on National Service Life Insurance which inflated the July figure. The August rate is fourteen billion one hundred million dollars higher than that of August 1960.~~

By contrast with these sharp increases, the cost of living index has advanced only about one percent over the past year -- and this was due almost entirely to the increased cost of services, with commodity and other prices shwwing remarkable stability.

In short, the business outlook is healthy, and durable goods, steel, and automobile production present excellent indications for the year ahead.

But what about the possibility of ~~xxxxxxxx~~ inflation which could easily rob us of the benefits of these advances?

Basically, as all of you know, there are two kinds of inflation which can occur separately or in combination: the classic type, in which excess demand and short supply drive~~s~~ prices up, and the wage-

Thanks to the basic strength of our private economy -- supported by the vigorous actions of the Federal Government -- the '60-'61 recession proved to be mild and short-lived. Recent reports show that the gross national product, at an annual rate, was five hundred twenty-seven billion dollars in the third quarter of this year, compared to five hundred one billion dollars in the first quarter. And we can look forward to a level of close to five hundred forty billion dollars in the current quarter. This upward trend should continue at a relatively rapid pace during the first half of 1962, and at a somewhat more modest rate thereafter.

The strong advance of the economy should bring unemployment under six percent sometime this Winter. ~~But~~ By the late Spring of 1962, we can expect it to drop ~~further~~ to around five percent, and can hope for still further improvement next Fall.

Corporate profits have also shown strong gains, reaching an annual rate of forty-five billion two hundred million dollars in the second ~~quarters~~ quarter of this year -- a sharp rise from the first quarter low of thirty-nine billion six hundred million dollars. and advance indicators show that the trend is continuing

My third point is to underscore the massive effect on our budget of the increased national security expenditures required to match the heightened Soviet challenges -- challenges that could endanger the very existence of our Nation. I emphasize this because I have of late frequently heard it alleged that our deficit is due, not to national security spending, but ~~rather~~ to enlarged expenditures for divilian welfare. It is true, of course, that civilian expenditures have been enlarged. However, the additional appropriations which President ~~Kennedy~~ has had to request to meet urgent defense needs have amounted to six billion dollars. We must also remember that a substantial portion of the civilian increases were directly tied in with human suffering brought on by the recession. I have in mind such items as extended payments to those of our unemployed who had used up their normal benefits, and aid for the dependent children of unemployed families.

Now, a word about the economic outlook for 1962, which will, of course, determine our budgetary revenues for fiscal 1963:

this time. This is mainly because today we have substantial unused capacity, both in our plants and in our labor force -- capacity that can easily absorb the increases in demand.

Wholesale prices are showing no tendency to rise. Indeed, the Bureau of Labor Statistics general index of wholesale prices ~~index~~ has fallen from 120 in February to 118 [illegible] ~~in September~~ [illegible]. This is a better record than in previous recoveries. And it has occured even though the fiscal stimulation of the prospective budgetary deficit is now largely behind us. For, from mid-December ~~on~~, Government revenues should roughly equal expenditures.

None of this means that inflationary pressures can be blithely disregarded. Such pressures, even when dormant, must always be kept in mind and zealously guarded against. It does mean, however, that with the President's decision to present a balanced budget for fiscal 1963, the danger now lies far more in cost-push or wage-price pressures than in the Federal budget.

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developments. In other words, the revenues in sight for the ~~twelve~~ 12 months ending next June -- that is, for fiscal 1962 -- will be based primarily on earnings for the twelve ~~12~~ months ending this December 31. As you all know only too well, this period included the very bottom of the recession. That is what accounts for the seeming paradox of low revenues in a period of sharply rising economic activity.

My second point is that the prospective deficit should not of itself lead to inflationary pressures. Even though a deficit of more than six and three-quarter billion dollars is uncomfortably large, we should keep in mind that it still amounts to barely more than half of the twelve~~s~~ and one-half billion dollar deficit we incurred in fiscal 1959 -- and the fiscal 1959 deficit, large as it was, did not lead to inflationary price rises. The 1959 deficit was, however, accompanied by monetary tightening to a degree that no one wishes to see recur. I am confident that both inflationary price rises and a recurren~~t~~ce of the 1959 monetary stringency can be avoided unfortunately brought with it sharp increases in our outlays for farm price supports.

Parallel with these adverse budgetary developments, the Presid increased his pressure on the Federal executive departments to practice the strictest economy, and to defer expenditures wherever possible. Compliance with this directive has produced substantial savings, both for this fiscal year and for succeeding years. Had it not been for the President's forthright action, the deficit we now face would have been considerably larger.

There are three points I should like to make about our prospective deficit:

First, the negative role played by the reduced, recession-level revenues ~~which~~ we must look forward to in the current fiscal year. Some may ask why I talk of recession-induced revenues in a period of growing prosperity. The answer, of course, is that our all-important income tax collections, which fluctuate sharply with the state of the economy, always lag some six months behind current contain a revised estimate of revenues and expenditures, including detailed breakdowns. While it is not possible to give exact figures at this time, it is apparent that the mid-year review will not make happy reading. Preliminary indications are that it will show a prospective deficit of somewhat more than six and three-quarter billion dollars.

Two developments are primarily responsible for the increase over the July estimate, which, as you will recall, was five billion three hundred million dollars.

First, there was the lamentable failure of the Congress to increase postal rates to match the ever growing postal deficit. This added a wholly unnecessary three-quarters of a billion dollars to our over-all deficit.

Second -- as those of you from the great Mid-West are well aware -- this summer brought ideal growing weather, the best we have had in the past decade. The result was an agricultural outpouring that has set many all-time records. This blessing of abundance has

I have already cited the goal of our international fiscal policy: the achievement of equilibrium in our balance of payments. The goal of our domestic fiscal policy is equally clear: the achievement of steady, healthy economic growth, with price stability and full employment.

To achieve these goals we must make full and proper use of fiscal or budgetary tools. In years of relative prosperity, after tax revenues have recovered from recession, the budget should be in balance, with surpluses during times of full employment to offset the deficits that must be expected in times of recession. Translated into today's situation, this means a balanced budget for fiscal 1963 -- and this is exactly what the President intends to submit to the Congress next January.

With the effect of Congressional action in the last session now clear, it is possible to get an over-all picture of our budgetary position for the current year. The Bureau of the Budget will shortly complete and publish its mid-year review, which, as usual, will payments position.

Consequently, in our debt mangement program we have so far concentrated our new cash financings in short-term issues, while using refunding operations to add to longer term holdings. Although through short-term issues we have already raised the great bulk of the new money required to meet the 1962 cash deficit, including the operations of the trust funds, we have still ~~nevertheless~~ been able to lengthen slightly the average maturity of the debt. ~~From here on out, our new cash offerings will be fore the purpose of refunding and meeting seasonal needs.~~ Thus, we have been able to satisfy our important "housekeeping" needs and, at the same time, avoid either diverting long-term capital from productive private uses, or creating an interest incentive to short-term flows of capital to other countries.

Closely related to debt management is the Government's performance in terms of the budget: Government expenditures in relation to receipts.

associations should also be improved. They are, undeniably, import suppliers of funds for home mortgages, and this must certainly be taken into account. However, it should be possible to recognize the importance of stimulating home building and, at the same time, t provide a fair method of taxing mutual savings banks and savings and loan associations so that they can begin to carry their equitable share of the national tax burden.

Returning to fiscal policies, I should first like to touch on our debt management program:

Among our various objectives -- and they are not always easily reconcilable -- we have recognized a factor common to all debt management, of any kind, anywhere: namely, that we must be prudent housekeepers and spread our debts out over the whole potential maturity range. This means taking advantage of every opportunity to lengthen the debt that does not seriously compromise two other objectives: borrowing at the lowest cost, and in such a way as to contribute to orderly growth. We must also keep constantly in mind the impact of our borrowing operations on our balance of millions of transactions. Despite the fine cooperation of the financial community, educational efforts have not resulted in substantial improvement in the voluntary reporting of interest and dividends. It is the Treasury's conclusion, therefore, that withholding -- which has ~~proven~~ been so successful in the wage area -- is the only practicable way to eliminate the problem.

I urge you to support interest and dividend withholding because they are vital to the Nation's interest. I recognize that there would be some additional expense to payers of interest and dividends, and some inconvenience for honest and conscientious taxpayers. But much is at stake. Taxpayer morality is a great American asset. It should be cherished and protected. Our common concern, therefore, should focus on technical implementation of a withholding procedure that keeps the administrative burden to a minimum. Your assistance in this task would be most heartily welcomed by the Treasury.

The tax treatment of mutual savings banks and savings and loan

So much for our international position. Before turning to domestic fiscal policies, I should like to say a few words about two tax matters of particular interest to you: withholding on interest and dividends, and the taxation of thrift institutions.

Withholding of income tax on interest and dividends should not be an issue between the commercial banking community and the Treasury. Your association has taken a strong position in favor of tax uniformity in the treatment of commercial banks and thrift institutions. This is a concise way of saying that everyone should carry his fair share of the tax burden. All of us want the burdens of taxation shared equitably. All of us abhor the tax evader. And all of us recognize that if tax morality is jeopardized, then the basic democratic institutions of our Nation are endangered.

Audit enforcement has proved ineffective in uncovering unrepor interest and dividends because the problem is massive, involving

U.S. circles. We acted promptly to dispell any ~~abouts~~ doubts on this score. Our own view is, today, as it has been all along, is that the current problems of disequilibrium in international payments cannot be solved by any general increase in international liquidity, but should be met by making the existing payments system work. This requires that all countries -- surplus countries as well as deficit countries -- recognize their responsibilities to work toward equili[brium]. It also requires a strengthening of the Fund -- such as was agreed upon at Vienna -- in order to meet sudden and unusual strains that could threaten the stability of the present payments mechanism.

To sum up: Our payments situation is improved but still requi[res] close attention. We must work on our own and ~~in cooperation with~~ with our allies to decrease or offset the dollar cost of our military forces overseas. We must continue our new and close cooperation with foreign central banks and financial officials in guarding against unhealthy flows of short-term capital. And above all, we must energetically seek to increase our exports.

I should like to emphasize that we foresee no breakdown in the present ~~world payments~~ system. But we do see a need -- now fully recognized by all the leading industrial countries -- for standby facilities in the Fund to cope with developments that might strain the functioning of that system. An agreement in principle among the leading industrial countries to provide just such standby facilities was reached at the recent Fund meeting in Vienna. This was the goal of the United States delegation, and I want to make it clear that we fully achieved it.

There has been some public misunderstanding in the United States of the strong opinions aired at the Vienna meeting. These opinions were not ~~-- as some in this country have erroneously assumed --~~ critical of the United States. Rather, they were critical of the view ~~held by some~~ that the major problem of international monetary policy had become one of adding to general international liquidity by a grandiose new scheme or "panacea" -- to use the word employed by certain of my Western European colleagues. There was concern ~~it is true, some fear~~ that such a view had received support in offi

This 20-nation group, consisting of the 18 European members of the former Organization for European Economic Cooperation, plus Canada and the United States, helps to coordinate the aid and development activities of the free world. Among its many and varied activities in the economic field, the OECD provides a forum for the continuing, delicate, and private discussions that are an integral part of international financial cooperation. In addition, the Federal Reserve now takes a full and active part in the monthly meetings of central bankers at Basle, Switzerland. The central bank cooperation that flows from these meetings can be most important. Its efficacy was recently highlighted by the success of last Spring's so-call "Basle accords" in support of the British pound sterling. More recently, we have taken an active role in efforts to strengthen the resources of the International Monetary Fund and its capacity to deal with destablizing movements that might impair the world payments system.

of our foreign aid programs and of maintaining our troops ~~abroad.~~

In cooperation with certain of our European allies we are also developing mutually advantageous ways of offsetting the drain on and balance of payments of sustaining ~~our overseas~~ military forces abroad.

In the field of short-term capital movements, we have begun -- for the first time in nearly twenty-five years -- to take an active role in the foreign exchange markets of the world. In so doing we are following in the footsteps of an outstanding banker, Russell Leffingwell, who, as Assistant Secretary of the Treasury during World War I, initiated similar transactions. These operations are adding another dimension to our program for protecting the international position of the dollar. accords" in support of the

We are also moving forward in the field of consultation and cooperation. The United States played a leading role in creating the new Organization for Economic Cooperation and Development.

that has been successfully utilized in a number of European countries. As a result of information developed in hearings before the House Ways and Means Committee, it is now conceded that this credit should be in the form of a flat across-the-board allowance of seven or eight percent. A majority of the Ways and Means Committee has publicly favored this proposal, and promised early action in the next session of the Congress.

With our depreciation procedures improved by these two basic reforms, American business should be in a position to maintain the most modern industrial plant in the world. This, in turn, should be of great help in avoiding price increases, and thus, in retaining our competitive position in world markets. I shall have more to say about price increases later, when I consider the danger of inflation, but we must never overlook their special importance to our merchandise trade surplus.

The Government is also taking action in other areas which affect our balance of payments position. By emphasizing procurement in the United States, we are reducing the balance of payments cost range of business experience with all types of equipment. ~~One~~ Such a study was started by the Treasury more than a year ago, and we are pushing it to completion this Winter. At the President's direction, the textile industry last May was given special priority and, just this past week, new "lives" for textile equipment, representing a general reduction of forty percent over previous levels, were announced. I cite this as an example of what can be expected from our over-all examination. While the textile industry may be an extreme case -- and our investigation may not ~~always~~ justify equally large reductions in the depreciable "lives" of equipment used in other industries -- I am confident that many reductions of a significant nature will be ~~justified~~ possible.

Second, since a change in depreciable "lives" will not in itself be enough to match the incentives given by their governments to many of the European manufacturers with whom our industries compete, further action is needed. That is why the Treasury supports a tax credit for all new investment in plant equipment -- an incentive

Over the past decade, every Western European Nation has steadily increased the share of its GNP going into new equipment. But the trend in the United States has been in the opposite direction: the percentage of our Gross National Product GNP devoted to new equipment purchases has been declining, and is now well under the rate of the early Fifties. It strikes me that there is a clear relationship between this fall-off and the difficulties we face in competing with ~~your~~ our European friends -- as well as between it and our relatively slow rate of economic growth during the past decade.

Plant modernization can best be stimulated through depreciation reform, which, to be adequate, must have two distinct facets:

First, an updating of the Internal Revenue Service ~~in~~ calculations of the depreciable "lives" of equipment, so that they will accurately reflect conditions in this age of rapid technological change. ~~Such~~ This an adjustment calls for a detailed study of the whole

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More rapid equipment modernization by industry is vital to the success of our efforts to remain competitive in world markets and to achieve the rate of growth needed to assure us prosperity and reasonably full employment. I think it highly significant that all the industrial countries of Western Europe -- except ~~only~~ Belgium and the United Kingdom -- are now devoting twice as much of their Gross National Product to purchases of industrial equipment as ~~we~~ ARE ~~are~~ in the United States. And Belgium and the United Kingdom -- the two European countries whose economic growth has lagged in comparison with the rest of Western Europe -- are devoting half again as much of their GNP as are we, to the purchase of equipment

This surplus during the first half of the year ran at an adjusted annual level ~~of about~~ of some four billion dollars -- a rate about one billion dollars higher than 1960, and in marked contrast with a deficit of about half a billion dollars in 1959. // End reading

Unfortunately, the rise in our commercial trade surplus during the early months of this year was due more to a recession-induced decrease in imports than to an increase in exports. As our economy picks up steam, imports are certain to recover and cut into our trading surplus.

Thus, through the normal operation of the business cycle, we face the probability of a reduction in our commercial trade surplus over the coming year. To attempt to reverse this trend by cutting back on imports would be senseless, since such action on our part would inevitably generate counter action against our exports. What we must do instead is redouble our efforts to increase exports so that we can maintain a trading surplus at the satisfactory level reached during the first half of this year

Our basic position was in exact balance during the first half of 1961 -- compared with a deficit of one billion nine hundred million for 1960, and one of four billion three hundred million for 1959. Hence, nearly the entire improvement in the first six months took place in our basic position, with the short-term outflow continuing at very close to the 1960 rate. This year, however, the short-term outflow has been almost entirely commercial: for example, more than half of it has been commercial bank lending to Japan to finance her growing imports. It has not been generated by speculation against the dollar, as was the case last Fall and Winter. The continued absence of that type of speculation has been ~~is~~ a clear sign of renewed international confidence in the dollar. This gives us time to work toward the over-all balance we must achieve.

The most important single factor in obtaining this balance is our commercial trade surplus -- by which I mean the excess of commercial exports over imports, not counting SALES ~~sales~~ of surplus agricultural products or shipments under our foreign aid program.

Let me briefly review our present payments position. In so doing, I shall not take into account certain special debt prepayments made to us last Spring, chiefly by Germany. While these prepayments were most helpful, their effect was temporary, and they should not be included in any measurement of progress toward solution of the underlying problem.

Our over-all deficit for the first half of this year ran at a seasonally adjusted annual rate of one billion seven hundred million dollars -- a significant improvement over the deficits of nearly four billion dollars for each of the two preceding years. We ~~now~~ have good reason to hope that we can hold our over-all deficit for the entire year to not much more than two billion dollars -- exclusive of the special debt prepayments, which should reduce it to something like one and a half ~~billion five hundred~~ billion dollars.

Our record in the first half of this year is even better when we examine our "basic" position -- that is, the total of our recorded transactions, with the exception of short-term capital movements and special debt prepayments.

five billion ~~dollars~~ was met by payment in gold. This trend culminated in a crisis of confidence during the four months from last October through January, when we lost one and one quarter bill dollars in gold.

President Kennedy fully recognized the dangers in this situation. He made it clear immediately after his inauguration that the dollar would not be devalued, nor would its standing be jeopardized by resort to exchange controls. One of his first official acts was to call for a coordinated national effort to stem the flow of dollars out of this country.

Our payments position this year is markedly improved. But cannot ~~this will not permit us to~~ relax. Indeed, in today's world of currency convertibility, we can never relax, not even when we achieve our immediate goal of equilibrium in our international accounts. We must be constantly alert to the impact upon our balance of payments of all of our financial and economic actions -- both public and private.

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October 16,
~~October 15, 19~~

ADDRESS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY, AT THE ANNUAL
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CIVIC AUDITORIUM, SAN FRANCISCO, CALIF.,
TUESDAY, OCTOBER 17, 1961, 11:00 A.M., ~~PST~~ (3:00 PM E

As Secretary of the Treasury, the state of our economy -- both at home and abroad -- is my principal concern. Since this concern is shared by all of you here today, I should like to discuss the Government's foreign and domestic financial policies and how they affect the Nation's economic strength and potential.

The Government's major preoccupation in foreign financial affairs is with our balance of international payments, which has a profound influence upon the standing of the dollar in the world's money markets. The achievement of a reasonable balance is of utmost importance -- not only to us, but to all free men, everywhere. For the dollar, as the world's basic reserve currency, is the very foundation of international trade and commerce.

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Our record in the first half of this year is even better when we examine our "basic" position -- that is, the total of our recorded transactions, with the exception of short-term capital movements and special debt prepayments.

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As part of that effort, the Government has overhauled and expanded its services to exporters, and is in the process of creating a comprehensive export insurance program which should be in full operation by the end of the year. The Administration has also strongly supported depreciation reform to stimulate the modernization of our national industrial plant.

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Second, since a change in depreciable "lives" will not in itself be enough to match the incentives given by their governments to many of the European manufacturers with whom our industries compete, further action is needed. That is why the Treasury supports a tax credit for all new investment in plant equipment -- an incentive that has been successfully utilized in a number of European countries. As a result of information developed in hearings before the House Ways and Means Committee, it is now conceded that this credit should be in the form of a flat acrosss-the-board allowance of seven or eight percent. A majority of the Ways and Means Committee has publicly favored this proposal, and promised early action in the next session of the Congress.

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The Government is also taking action in other areas which affect our balance of payments position. By emphasizing procurement in the United States, we are reducing the balance of payments cost of our foreign aid programs and of maintaining our troops overseas. In cooperation with certain of our European allies we are also developing mutually advantageous ways of offsetting the drain on our balance of payments of sustaining our military forces abroad.

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Closely related to debt management is the Government's performance in terms of the budget: Government expenditures in relation to receipts.

I have already cited the goal of our international fiscal policy: the achievement of equilibrium in our balance of payments. The goal of our domestic fiscal policy is equally clear: the achievement of steady, healthy, economic growth, with price stability and full employment.

To achieve these goals we must make full and proper use of fiscal or budgetary tools. In years of relative prosperity, after tax revenues have recovered from recession, the budget should be in balance, with surpluses during times of full employment to offset the deficits that must be expected in times of recession. Translated into today's situation, this means a balanced budget for fiscal 1963 -- and this is exactly what the President intends to submit to the Congress next January.

With the effect of Congressional action in the last session now clear, it is possible to get an over-all picture of our budgetary position for the current year. The Bureau of the Budget will shortly complete and publish its mid-year review, which, as usual, will contain a revised estimate of revenues and expenditures, including detailed breakdowns. While it is not possible to give exact figures at this time, it is apparent that the mid-year review will not make happy reading. Preliminary indications are that it will show a prospective deficit of somewhat more than six and three-quarter billion dollars.

Two developments are primarily responsible for the increase over the July estimate, which, as you will recall, was five billion three hundred million dollars.

First, there was the lamentable failure of the Congress to increase postal rates to match the ever growing postal deficit. This added a wholly unnecessary three-quarters of a billion dollars to our over-all deficit.

Second -- as those of you from the great Mid-West are well aware -- this summer brought ideal growing weather, the best we have had in the past decade. The result was an agricultural outpouring that has set many all-time records. This blessing of abundance has unfortunately brought with it sharp increases in our outlays for farm price supports.

Parallel with these adverse budgetary developments, the President increased his pressure on the Federal executive departments to practice the strictest economy, and to defer expenditures wherever possible. Compliance with this directive has produced substantial savings, both for this fiscal year and for succeeding years. Had it not been for the President's forthright action, the deficit we now face would have been considerably larger.

There are three points I should like to make about our prospective deficit:

First, the negative role played by the reduced, recession-level revenues we must look forward to in the current fiscal year. Some may ask why I talk of recession-induced revenues in a period of growing prosperity. The answer, of course, is that our all-important income tax collections, which fluctuate sharply with the state of the economy, always lag some six months behind current developments. In other words, the revenues in sight for the 12 months ending next June -- that is, for fiscal 1962 -- will be based primarily on earnings for the 12 months ending this December 31. As you all know only too well, this period included the very bottom of the recession. That is what accounts for the seeming paradox of low revenues in a period of sharply rising economic activity.

My second point is that the prospective deficit should not of itself lead to inflationary pressures. Even though a deficit of more than six and three-quarter billion dollars is uncomfortably large, we should keep in mind that it still amounts to barely more than half of the twelve and one-half billion dollar deficit we incurred in fiscal 1959 -- and the fiscal 1959 deficit, large as it was, did not lead to inflationary price rises. The 1959 deficit was, however, accompanied by monetary tightening to a degree that no one wishes to see recur. I am confident that both inflationary price rises and a recurrence of the 1959 type of monetary stringency can be avoided this time. This is mainly because today we have substantial unused capacity, both in our plants and in our labor force -- capacity that can easily absorb the increases in demand.

Wholesale prices are showing no tendency to rise. Indeed, the Bureau of Labor Statistics' general index of wholesale prices has fallen from 120 in February to 118-1/2 earlier this month. This is a better record than in previous recoveries. And it has occurred even though the fiscal stimulation of the prospective budgetary eficit is now largely behind us. For, from mid-December on, overnment revenues should roughly equal expenditures.

None of this means that inflationary pressures can be blithely lisregarded. Such pressures, even when dormant, must always be cept in mind and zealously guarded against. It does mean, however, hat with the President's decision to present a balanced budget 'or fiscal 1963, the danger now lies far more in cost-push or wage-price pressures than in the Federal budget.

My third point is to underscore the massive effect on our budget of the increased national security expenditures required to natch the heightened Soviet challenges -- challenges that could endanger the very existence of our Nation. I emphasize this because I have of late frequently heard it alleged that our deficit is due, not to national security spending, but to enlarged expenditures for civilian welfare. It is true, of course, that civilian expenditures have been enlarged. However, the additional appropriations which President Kennedy has had to request to meet urgent defense needs have amounted to six billion dollars. We must also remember that a substantial portion of the civilian increases were directly tied in with human suffering brought on by the recession. I have in mind such items as extended payments to those of our unemployed who had used up their normal benefits, and aid for the dependent children of unemployed families.

Now, a word about the economic outlook for 1962, which will, of course, determine our budgetary revenues for fiscal 1963:

Thanks to the basic strength of our private economy -- supported by the vigorous actions of the Federal Government -- the '60-'61 recession proved to be mild and short-lived. The gross national product, at an annual rate, was five hundred twenty-six billion dollars in the third quarter of this year, compared to five hundred one billion dollars in the first quarter. And we can look forward to a level of close to five hundred forty billion dollars in the current quarter. This upward trend should continue at a relatively rapid pace during the first half of 1962, and at a somewhat more modest rate thereafter.

The strong advance of the economy should bring unemployment under six percent sometime this Winter. By the late Spring of 1962, we can expect it to drop to around five percent, and can hope for still further improvement next Fall.

Corporate profits have also shown strong gains, reaching an annual rate of forty-five billion two hundred million dollars in the second quarter of this year -- a sharp rise from the first quarter low of thirty-nine billion six hundred million dollars. And advance indications show that this trend is continuing.

By contrast with these sharp increases, the cost of living index has advanced only about one percent over the past year -- and this has been due almost entirely to the increased cost of services, with commodity and other prices showing remarkable stability.

In short, the business outlook is healthy, and durable goods, steel, and automobile production present excellent indications for the year ahead.

But what about the possibility of inflation which could easily rob us of the benefits of these advances?

Basically, as all of you know, there are two kinds of inflation, which can occur separately or in combination: the classic type, in which excess demand and short supply drive prices up, and the wage-price spiral, in which prices and wages chase each other ever higher. As I pointed out earlier, the current deficit is not creating inflationary danger of the classic type. But we must be particularly wary at this time of the second type of inflation: The wage-price spiral.

Wage increases in excess of productivity gains -- when met through price rises -- present a real danger to our continued economic growth. So do unnecessary price increases. Either can cause us to price ourselves out of world markets, with truly catastrophic results for all of us here at home. This fact was clearly in the minds of the central bankers and finance ministers with whom I talked last month in Vienna at the meetings of the International Bank and Fund. While none of them thought that our current budgetary situation signalled a danger of inflationary developments in the United States, they invariably -- and unanimously -- expressed deep concern over whether we could hold our price levels in the face of the steady pressures for wage-price inflation.

It is my fervent hope -- and that of the President -- that both industry and labor will keep the national interest uppermost in their minds. The automobile makers who are maintaining their price levels, as well as the steel industry, which appears to be relying upon a rise in its production rate to cover a recent wage increase, are both making important contributions to our national well-being.

This is a very critical time -- a time to forego unnecessary wage or price increases and, by so doing, to perform a very real public service. The outlook for our economy is good. We are entering a period of promising growth, which will provide benefits for all segments of our Nation -- for labor, for management, and for the consumer. But excessive increases in prices or wages could endanger, or even destroy, those benefits. We can realize them, but only through strong effort and self-restraint on the part of the private as well as public sector of the economy.

In recent months we have seen the will and the capability of this Nation challenged -- in the jungles of South East Asia -- in the city of Berlin -- and in the dark dominion of outer space. More tests lie ahead, and our economic strength will play a major role in determining our capacity to respond. The Federal Government is fully aware of its responsibility to maintain and to increase that strength. We intend to build it by actively promoting a growing economy, while avoiding the waste of national resources that comes from excessive spending. In this way, Government and private initiative, working together, can assure an ever stronger Nation in the critical months and years that lie ahead.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 17, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON GRANULATED CANE SUGAR
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that refined cane granulated sugar from Canada 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 determination will be published in the Federal Register.

The investigation revealed that there were some sales at a dumping price. The amount involved, however, was insignificant, and the sales have been discontinued. There is no indication that they will be resumed.

The dollar value of imports of the involved merchandise received during 1960 was approximately $215,000.

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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.

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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 incorpo rated banks and trust companies and from responsible and recognized dealers in inv ment securities. Tenders from others must be accompanied by payment of 2 percent the face amount of Treasury bills applied for, unless the tenders are accompanied 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 Secretar 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 July 27, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on January 25, 1962 ~~(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 respe tive issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on October 26, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 26, 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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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE ~~XXXXXXXXXX~~ October 18, 1961

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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 October 26, 1961, in the amount of $1,600,105,000, as follows:

91 -day bills (to maturity date) to be issued October 26, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated July 27, 1961, and to mature January 25, 1962, originally issued in the amount of $500,080,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $600,000,000, or thereabouts, to be dated October 26, 1961, and to mature April 26, 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, two ~~XXXXXXXX~~ o'clock p.m., Eastern Daylight Saving ~~Standard~~ time, Monday, October 23, 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.

October 18, 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.

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 July 27, 1961, (91-days remaining until maturity date on January 25, 1962) 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 October 26, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 26, 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

October 20, 1961

FOR RELEASE AT 6:30 P.M., EST.

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
TO THE
BUSINESS COUNCIL, THE HOMESTEAD
HOT SPRINGS, VIRGINIA
FRIDAY, OCTOBER 20, 1961, 6:30 P.M.,EST.

Our growth and progress as a nation are rooted in the vigor and initiative of our citizens as individuals and, as individuals, we have traditionally been wary of giving Government too strong a role. Yet the growth of our Nation has brought with it complex new problems that inevitably increase the role and responsibility of Government. Nevertheless, our society continues to rely upon the creative drive of our private economy to carry it forward. This calls for close cooperation between Government and the business community. Government must also have the cooperation of other important elements in our national life: labor, the farm community, the professions, and the arts. But if we are to achieve the goals that are well within our capacity, this cooperation must be founded on understanding and mutual respect -- particularly between Government and the business community.

In today's world, such cooperation is absolutely essential if we are to meet the challenges that confront our Nation. If we do not respond adequately to today's challenges, we jeopardize the future of freedom on this earth. But I have no doubt of our ability to overcome any threat -- any difficulty -- any obstruction -- if we stand together.

Let us take a look at some of the areas in which Government and the business community share responsibility for our future:

One of the most critical is our international balance of payments. In the past three years, our payments deficits have totalled eleven billion dollars,of which five billion dollars was paid out in gold. This year, our payments position shows considerable improvement. We have reason to hope that we can hold the over-all deficit to little more than two billion dollars -- or about half the size of the deficits of the past two years. This estimate does not take into account 650 million dollars in special loan prepayments we received earlier this year. While they improved our position, they were essentially one-shot operations, hence had only a temporary effect. A major factor in the improvement of our payments position was President Kennedy's forthright stand against devaluation which ended he near-crisis of confidence in the dollar of last Fall and Winter. enewed confidence in the dollar has been been reflected in a sharp rop in the loss of gold, which, since the first of February, has mounted to only $138 million, compared with one and one-quarter illion dollars in the four preceding months.

Thus, we have earned time to work toward a solution of this roblem -- a solution which must come largely from the private ector of the economy by outselling foreign competitors, both in xport markets abroad and in our markets here at home.

Unquestionably, a successful solution will require the development nd maintenance of an adequate commercial merchandise trade surplus. y this I mean the surplus of straight commercial exports over mports, excluding sales of surplus agricultural products for local urrencies, and shipments under our foreign aid program.

For the first half of this year, our commercial trade surplus -- t a seasonally adjusted annual rate -- was about four billion dollars: bout one billion dollars better than 1960 and nearly five billion ollars greater than 1959, when our commercial trade account ran at deficit. Unhappily, we cannot expect this favorable trend to ontinue indefinitely. For it reflects a combination of recession t home and boom abroad, which lowered imports and raised exports. s our economic recovery progresses, our imports can be expected to ise and thereby shrink our merchandise trade surplus, unless we take ggressive action to improve our competitive position.

Government is laying the groundwork for such action. We expect o announce very shortly a comprehensive new insurance program for xporters. This program, operating through private channels, ill offer our exporters insurance and guarantee facilities that will, or the first time, be fully comparable to those that have been vailable to our foreign competitors. Both the State and Commerce epartments have already expanded their services to exporters, and fforts to circulate information on market opportunities abroad are eing increased. We are also making strong efforts to help U. S. usiness meet foreign competition by reforming and modernizing the ax treatment of depreciation of equipment.

But our ultimate success or failure in expanding our export arkets will depend upon our business community. Government can nly do so much. It can help, but business alone can supply the ggressive enterprise that is needed to keep us competitive. Only y maintaining a trade surplus can be count on sufficient foreign xchange to finance the cost of the overseas forces essential to ur security, that portion of our foreign aid which goes out in ollars, plus our growing private investment in foreign lands.

The need to improve our international competitive position is major reason behind the Administration's repeated warnings of the danger of inflation that can come from unjustified price or wage increases. If we are to compete successfully in world markets, wage increases should not, as a general rule, exceed productivity gains. If we are to outsell our efficient foreign competitors, we must forego all but the absolute minimum of price increases. Our goods have always been respected for their high quality, but quality will mean nothing if we price them out of the market. If we can maintain stable prices, our expanding share of export markets can contribute significantly to our over-all economic growth, which will bring us increasing prosperity. If we cannot, the result will be serious indeed. Failure could dangerously diminish our economic potential and hence, our capacity to defend ourselves and our allies.

There are, of course, some aspects of our national economic position that are exclusively the responsibility of Government. One of them is fiscal policy, as expressed in terms of the budget. As you know, we are running a deficit this year. Until the Bureau of the Budget publishes its annual mid-year review a few days from now, it is not possible to go into detail, but we can expect a deficit of more than six and three-quarter billion dollars. The deficit would certainly have been larger if the Administration had not acted to hold down expenditures. I can assure you that the vigorous action undertaken in this area at the President's direction has resulted in substantial savings.

There are basically two reasons why the deficit will be larger than we anticipated at the time of our last official estimate in July.

First, Congressional failure to heed the President's request for increased postal rates added an entirely unnecessary three-quarters of a billion dollars to the deficit.

Second, exceptionally good growing weather in the mid-West produced bumper crops, significantly raising the cost of our continuing price support programs.

These two factors combined with recession-level revenues to enlarge the deficit. Let me explain: Our revenue for the budget year ending next June 30th is fundamentally based on earnings and profits for this calendar year, which, as you know, included the bottom of the recession. As a result, even though the entire fiscal year is expected to be one of mounting prosperity, our revenues will reflect last Winter's recession levels. A similar lag in revenues was also a basic cause of the $12.4 billion deficit we incurred in fiscal 1959 at a parallel point in the business cycle.

At this point, I would like to say a word about the common allegation that our prospective '62 deficit is due largely to uncontrolled increases in civilian welfare expenditures. Let's look at the facts: Our total expenditures in fiscal '62 are expected to increase about 7-1/2 billion dollars over the '61 level. Leaving aside national security and space expenditures, as well as the cost of farm price supports which have been with us for many years, we find that expenditures on all other programs are due to increase by about one and three-quarter billion dollars and, of this amount, only about one billion dollars represents expenditures that were not included in President Eisenhower's fiscal '62 budget submission. In other words, leaving agriculture aside, less than 15% of the increase in '62 expenditures over '61 can be attributed to domestic programs recommended or accepted by President Kennedy. On the other hand, well over 60% of the increase is directly attributable to national security and space programs.

So much for fiscal 1962, let us look ahead to 1963.

Since our recovery is progressing rapidly, the President intends to submit a balanced budget to the Congress next year. Our revenue system relies heavily upon income tax yields, which fluctuate sharply with the state of the economy, making deficits more or less inevitable whenever tax yields are sharply reduced by recession. However, budgets should be balanced during years when our revenues reflect reasonably prosperous conditions -- as we expect to be the case for fiscal 1963, and we should aim for surpluses in times of full employment.

Although the recovery shows signs of moving ahead at a fairly steady clip, there is, as yet, no sign that inflation is becoming a serious threat. Unused plant capacity, plus more workers than jobs, ensure our ability to meet foreseeable increases in demand. For the first time in our several economic recoveries since World War II, the index of wholesale industrial prices has actually moved downward during the first seven months of recovery. In addition, the stimulating effect of the current deficit is virtually past, for Government income and outgo will come into approximate balance by mid-December.

But while there is no serious danger of inflation at present, price increases could change the picture radically. They could be just as hazardous to the continued growth of our domestic economy as to our international position. Thus, while fiscal policy is the responsibility of Government, the ultimate aim of fiscal policy -- the promotion of sound economic growth with full employment and stable prices -- cannot be achieved without the active cooperation of both business and labor.

Another important area where there is an urgent need for cooperation between government and the private sector is in the field of foreign aid -- or to put it more accurately, in development aid.

Earlier this month, Eugene Black, President of the World Bank, speaking from his broad experience in foreign development, said that the financial and business leaders of the United States have a greater role to play in making foreign aid effective than either business or government fully appreciates. In his words, "foreign aid is the concern of Wall Street as much as it is the concern of Washington." I agree entirely, and I would include Detroit, Akron, Chicago, Pittsburgh and all our other industrial centers along with Wall Street.

Mr. Black stated in clear, simple terms the aim of international development: greater production. To increase production, you must have investment, either from within or without the developing country. In order to attract investment, and to ensure that capital is not wasted once it becomes available, facilities must be prepared and developed for its proper utilization. That is the function of foreign aid. And a great deal more than capital is required for proper development. Techniques, skills, training and ideas are also needed. So in a sense of what is at stake. Quite apart from the cold war, it devolves upon us to supply aid if we are to contribute to a healthy, stable and free world of the future. The fact that there is a siren song from the Communists, urging rapid-fire development under forced-draft state control and offering techniques of political, ideological and even military subversion as the first steps to a "new order", merely lends urgency to an obligation that already exists.

Participation by the private sector in foreign aid requires an entrepreneur's willingness to take risks -- so long as they are not foolish -- and a driving will to help the developing countries help themselves. Development aid offers to business no certain assurances. It is a new field, a new frontier for the entire world, and the skills and resources of American business -- which has pushed back geographical and technological frontiers in the past -- are badly needed if the developing lands are to grow in an atmosphere of freedom and enterprise.

Government is actively working to help develop these countries. Our various foreign aid programs are intended to create a social and economic basis for sound growth. In Latin America, for example, a major aim of the Alliance for Progress program is the establishment of such financial facilities as credit unions and stock exchanges. The Alliance also is pledged to evolve modern and equitable tax systems. The goal of such efforts is to attract foreign capital by effectively mobilizing internal capital. In order to promote investment in the developing countries by our own firms, we have, in addition to the export guarantees of the Export-Import Bank, an investment guaranty program which provides protection against war risks, expropriation, and currency convertibility problems. The Department of Commerce and other Federal agencies have expanded their services to make government a more helpful partner to American private enterprise venturing overseas. And, in some major projects abroad, public U. S. capital in the form of government loans or credits has teamed with private U. S. capital to complete financing plans involving a consortium of business firms.

There is a popular misconception that Government aid programs and private business investment are alternative and antagonistic ways of helping to solve the problems of developing countries. In fact, neither Government assistance nor private investment can possibly do the job alone. If we are to have a reasonable chance of success in this formidable task, it must be based on a close partnership between private business and government. Government must bear the main burden of creating the infra-structure for progress in such areas as transportation and power networks. It must help establish the educational systems that are an essential pre-condition to industrial growth. But if our private enterprise system does not support these efforts by helping to create the manufacturing and distributing base that is the true foundation of growth and progress in freedom, Government programs to help the developing lands will, in the long run, bear little fruit.

The relative importance of government programs and private enterprise will, of course, vary from country to country. As economic growth proceeds, developing societies will evolve from almost total dependence upon government help to a stage where government aid is no longer needed and private enterprise can -- and must -- carry the whole load.

For this reason, I feel that those who pose the problem of foreign aid in terms of sharp alternatives between the public and private sector are unwittingly complicating an already difficult undertaking. If our national goals are to be served, we must work unceasingly to find ways in which government and private business can cooperate most effectively in achieving a free and prosperous world where all nations desiring freedom can maintain their independence upon a base of stable economies and free institutions. I can assure you that our Government is anxious for such cooperation. As in any new and great endeavor there will be some failures, frustrations, and losses, but the challenge is clear. If we disregard it, we will be isolating ourselves from a developing world. We will be pulling the boundaries of freedom backward -- instead of expanding them to those who have a right to expect help from a Nation such as ours.

I have said that Government must depend in large measure upon business leadership to improve our international balance of payments, our merchandise trade surplus, our foreign aid and international development programs, and our long-term economic growth. The question naturally arises: just what is Government doing to help business discharge its responsibilities?

As you well know, those who manage business are limited in the risks they can take with capital entrusted to their care. Such restrictions can at times act as a brake on their natural desire to maintain their plants at peak efficiency by continuously adapting the very latest technological advances to their operations. The Administration is trying to meet that problem by revising our tax policy to increase industry's competitive efficiency. That is our goal, and a tax policy to increase the level of investment devoted to modernizing productive equipment is our means.

We are moving on two fronts to achieve this objective, which is considered by the President to be an urgent first step in overall tax revision and reform:

First, we are studying ways of making the Internal Revenue Service schedules for depreciation more realistic, particularly in industries where equipment quickly becomes obsolete. Our study of depreciation methods, which has been under way for more than a year, is continuing on an urgent basis, and has already borne fruit in the new "lives" for textile equipment, representing a general reduction of forty percent over previous levels, which was announced last week.

Second, since realistic depreciable "lives" will not by themselves be enough to match the depreciation benefits allowed by most Western European countries, the Administration has given its full support to the flat, across-the-board investment credit contained in tentative draft legislation now before the House Ways and Means Committee. Chairman Wilbur Mills and a majority of the Committee have promised that this modification of an earlier Administration proposal will be a first order of business in the next session of Congress. Incidentally, the tax credit in its present form is almost identical with incentives built into the tax system of a number of European countries.

This double-barrelled attack on lagging investment is urgently needed for a number of reasons:

The rapid economic growth of our Nation has always been one of the economic marvels of the world, but lately other industrialized countries have been outpacing us. All through the Fifties our average real annual growth rate was less than three and a half percent, compared with between four and six percent for most of the countries of Western Europe, six to seven percent for the Soviet Union, more than seven percent for West Germany and, for the last half of the decade, more than nine percent for Japan. Recent fixed capital expenditures (other than for housing) follow the same pattern: for the United States, a drop from 12-1/2 percent of Gross National Product in 1948 to 9-1/2 percent in 1960. For Western Europe, an increase from 13.3 percent in 1951-55 to 15.1 percent in the period 1956-60. Certainly these figures suggest a close relationship between investment and economic growth, which is not surprising, since expanding the productive base, or improving its efficiency, or both, should lead to higher output.

As you might guess from the rates of domestic investment I have just cited, Western European and Japanese manufacturers have been modernizing more rapidly than have we. We must increase our modernization programs if we are to maintain competitive efficiency. More modern machinery, of course, means lower unit cost, or better quality, or higher productivity, or better packaging -- and often a combination of these things. It all adds up to tougher competition, and that's what the changes we plan in tax policy are intended to meet. With more rapid modernization of machinery, we should be able to expand our export markets in the manner required to achieve a balance in our international payments, and meet increasing competition without resorting to trade restrictions that would inevitably generate counter action against U. S. products.

Increasing investment in productive equipment will also aid the growth of our domestic economy. The last recession was the mildest of four since the war, and the recovery has so far been both rapid and broadly-based. However, unemployment, following the pattern of recent recoveries, has persisted long into the recovery stage, and is still intolerably high. We expect a drop very soon -- unemployment should fall to about five percent by next summer, but it is likely that it will still be a problem a year hence.

Here is where a new tax policy could have an important effect. By encouraging investment and equipment modernization, it would help provide jobs for those in the machinery and allied industries. By expanding export markets, it would help create other jobs. The effect would not, perhaps, be either immediate or startling, but we would be moving in the right direction -- and this is a direction in which we must move.

As Secretary Hodges noted recently, almost a million jobs in manufacturing have disappeared in the last year. We cannot hope to avoid or to sidestep automation. We can, however, make it work for us. More efficient machinery will bring about increasing productivity per worker, which has traditionally contributed to American growth. We can use it to expand our markets at home and abroad and to create new jobs. With 13.5 million new workers entering the labor force over the next ten years, we cannot afford to have our economy operating at less than full speed. Today, when the economy is advancing, is the time to take the kind of broad action to maintain the recovery represented by the depreciation reforms advocated by the Administration. It is, in many ways, an investment for the future. It merits your careful attention and strong support.

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compliance by reassuring our people that our tax laws are operating fairly and impartially and that all sections of our society are paying their proper share.

Let me now turn the meeting back to those Internal Revenue Service officials who are versed in the intricacies of data processing so you can get on with the day's business. Before leaving, I want to thank each of you for coming here today. Your interest in the future of our tax system gives me added confidence in the future cooperation between government and commerce.

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hemispheric development called for by President Kennedy -- the Alliance for Progress. Tax reform is one of the major self-help requirements for the success of that effort, and I encountered great interest among Latin American leaders in United States methods of tax administration. Since then, we have endeavored to provide information and advice to our fellow members of the Alliance in this field. Commissioner of Internal Revenue Mortimer Caplin and other Treasury officials have, in fact, just returned from a conference on tax administration in Buenos Aires. A gratifying start was made at that meeting toward inter-American tax cooperation. Latin American leaders are well aware that improving their national tax systems helps to make their countries more self-sufficient and less dependent upon aid from outside sources.

I am quite pleased with the innovation we are discussing today. For such an improvement in our tax system increases voluntary

Conversion to a system of automatic data processing is part of a long-range plan developed by the Internal Revenue Service to improve its operations by streamling tax administration. It is an important step toward making our tax system more efficient and more equitable. This is a highly desirable objective. Ninety-nine per cent of our Federal revenues are collected by the Internal Revenue Service. These funds make it possible for us to meet our obligations both at home and abroad -- and to maintain the defensive forces we need for our own security and that of the entire free world. Therefore, a major improvement in revenue collection, such as that offered by automatic data processing, is an important development.

I have attended many international economic conferences and I have always found that our self-assessment system of taxation is held in high esteem abroad. Not long ago, I was in Punta del Este, Uruguay, helping to launch the ten-year cooperative program of

Treasury Dept.
Washington

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October 23, 196

~~FIRST DRAFT~~ For Release on Delivery ~~OCTOBER 20, 1961~~

REMARKS BY the Honorable ~~SECRETARY OF THE TREASURY~~ DOUGLAS DILLON
BEFORE THE INTERNAL REVENUE SERVICE CONFERENCE
ON AUTOMATIC DATA PROCESSING MONDAY, OCTOBER 23, 1961, 9:30 a.m.
Dept. of State, New Auditorium,

I am both pleased and proud to be here with you this morning to help launch a major advance in tax administration.

This blending of mathematics, material research, and electronic artistry that we prosaically term a "data processing system," brings together three of the major forces of civilization -- science, Government and commerce -- which are well represented here today. The system itself is a product of centuries of creative scientific research. Many of us represent the ancient craft of public administration, which has counted the levying and collecting of taxes among its duties since the concept of government came into being. And you in the audience represent the equally ancient art of commerce, which has provided the economic impetus for much of man's progress.

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TREASURY DEPARTMENT
Washington

October 23, 1961

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
INTERNAL REVENUE SERVICE CONFERENCE
ON AUTOMATIC DATA PROCESSING
DEPARTMENT OF STATE, NEW AUDITORIUM,
MONDAY, OCTOBER 23, 1961, 9:30 A.M., EDT

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Born in Chicago, Illinois, Dr. Westerfield received his early education in Washington, D. C., where he graduated from Dunbar High School. He was the recipient of an Anson Phelps Stokes Scholarship and of fellowships from the Rosenwald Foundation and the Social Science Research Council in the years from 1940 to 1944.

Dr. Westerfield is married to the former Helene Bryant. They have ~~two~~ 3 children, Samuel III, 14, and Sheila Helene, 9.

Born in Chicago, Illinois, November 15, 1919, Dr. Westerfield received his early education in Washington, D. C. where he graduated from Dunbar High School. He was the recipient of an Anson Phelps Stokes Scholarship and of fellowships from the Rosenwald Foundation and the Social Science Research Council in the years from 1940 to 1944.

Dr. Westerfield was married to Helene Bryant in 1946. They have two children, Samuel III, aged 14, and Sheila Helene, 9.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 4, 1961

FOR RELEASE A.M. NEWSPAPERS,
THURSDAY, APRIL 6, 1961.

DR. SAMUEL WESTERFIELD, ATLANTA UNIVERSITY DEAN, NAMED TO KEY POST IN TREASURY DEPARTMENT

Treasury Secretary Douglas Dillon today announced that Dr. Samuel Z. Westerfield, Jr., Dean of the School of Business Administration at Atlanta University, will join the Treasury staff on June 1 as Associate Director of the Debt Analysis Staff in the Office of the Secretary.

Until he takes over his new post at the close of the current academic year, Dr. Westerfield will act as a consultant to the Secretary on domestic and international monetary affairs.

In announcing the appointment, Mr. Dillon said: "The Treasury is fortunate in obtaining the services of Dr. Westerfield. As one of the Nation's leading economists, Dr. Westerfield will be extremely helpful in the formulation of both domestic and international financi policy."

Dr. Westerfield has been Dean of the School of Business Administration and Professor of Economics at Atlanta University, Atlanta, Georgia, since 1952. He received his Ph.D. from Harvard University in 1950 and his Master's degree a year earlier from the same University. In 1939 he was awarded an A.B., Magna Cum Laude from Howard University in Washington, D. C.

Dr. Westerfield has been an instructor of economics at Howard University, and a professor of economics at West Virginia State Coll Lincoln University, and Atlanta University, as well as guest Lecture at University College, Addis Ababa, Ethiopia, and University College, Ibadan, Nigeria. In 1959-1960 he was visiting professor at the Graduate School of Business Administration of Harvard University.

~~Dr. Westerfield~~ has also served as an economist during summer recesses, with the Bureau of Labor Statistics of the U.S. Department of Labor, the TVA, and the War Labor Board. He is a member of the Board of Directors of the Atlanta Urban League, Chairman of the Research Committee of the National Business League, and former Treasurer of the All-Citizens Registration Committee.

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"Dr. Westerfield's economic background will be extremely valuable to the Office of International Finance, [redacted] where he will play an important role in helping to develop policies vital to the free world," said Secretary Dillon.

Dr. Westerfield, ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXX who is also a former Professor of~~ [redacted] ~~Economics at Atlanta University,~~ [redacted] f[redacted]~~niversity~~ received his A.B. degree Magna Cum Laude from Howard University in 1939. He [redacted] received his [redacted] Master's [redacted] degree from Harvard University in 1949 and his Ph.D, also from Harvard, a year later.

Oct. 20, 1961

~~For Release~~

FOR RELEASE AT ~~9~~ 5 P.M. EST FRIDAY, OCT. 20

DR. SAMUEL WESTERFIELD ADVANCED TO NEW POST

Treasury Secretary Douglas Dillon today named Dr. Samuel Z. ~~Westerfield Jr. to the post of~~ Westerfield Jr. to the post of Senior Adviser to the Director of the Treasury Department Office of International Finance.

Dr. Westerfield is a former Dean of the School of Business Administration at Atlanta University, Atlanta, Georgia. He joined the Treasury last June as ~~[illegible]~~ Associate Director of the Debt Analysis Staff. ~~In announcing~~

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Secretary Dillon, in announcing Dr. Westerfield's advancement to the new post, said it will allow him "to devote his full talents to foreign economic policies."

TREASURY DEPARTMENT

WASHINGTON, D.C.

October 20, 1961

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 20, 1961

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D-275

October 23, 1961

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, October 24, 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 July 27, 1961, and the other series to be dated October 26, 1961, which were offered on October 18, were opened at the Federal Reserve Banks on October 23. 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 January 25, 1962		182-day Treasury bills maturing April 26, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.417	2.306%	98.638	2.694%
Low	99.410	2.334%	98.629	2.712%
Average	99.412	2.325% 1/	98.631	2.708% 1/

58 percent of the amount of 91-day bills bid for at the low price was accepted
40 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	$ 33,548,000	$ 26,212,000	$ 14,824,000	$ 14,724,000
New York	1,512,477,000	739,969,000	976,521,000	428,236,000
Philadelphia	27,170,000	10,302,000	8,549,000	3,184,000
Cleveland	34,627,000	32,426,000	42,114,000	30,697,000
Richmond	10,820,000	10,820,000	5,759,000	2,959,000
Atlanta	21,736,000	19,036,000	8,265,000	7,665,000
Chicago	202,393,000	117,808,000	121,729,000	62,168,000
St. Louis	28,381,000	22,961,000	6,398,000	5,398,000
Minneapolis	21,010,000	16,590,000	7,091,000	4,931,000
Kansas City	47,094,000	28,681,000	10,414,000	8,154,000
Dallas	13,017,000	13,017,000	4,324,000	3,924,000
San Francisco	85,529,000	63,301,000	48,178,000	28,053,000
TOTALS	$2,037,802,000	$1,101,123,000 a/	$1,254,166,000	$600,093,000 b/

a/ Includes $211,749,000 noncompetitive tenders accepted at the average price of 99.412
b/ Includes $59,354,000 noncompetitive tenders accepted at the average price of 98.631
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 91-day bills, and 2.78%, 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.

October 23, 1961

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Richmond	10,820,000	10,820,000	5,759,000	2,959,000
Atlanta	21,736,000	19,036,000	8,265,000	7,665,000
Chicago	202,393,000	117,808,000	121,729,000	62,168,000
St. Louis	28,381,000	22,961,000	6,398,000	5,398,000
Minneapolis	21,010,000	16,590,000	7,091,000	4,931,000
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In his Inaugural address, President Kennedy said:

"We shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe, to assure the survival of liberty."

Today I have tried to tell you something about the price the President cited. Buying Savings Bonds is a small part of the price. Using self-restraint to prevent inflation is another part. And in the months and years ahead there will be sacrifices as well. But self-restraint and sacrifice are the price of freedom. I am confident that none of us thinks the price is too high.

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to serve the state. In the days ahead, our ability to meet aggression in the world -- in no matter what form it is mounted -- will depend to a large extent upon the power of our economy. Buying bonds is a way in which every American can contribute directly to his Nation's economic strength. For those who ask what they can do to help their country, here is a beginning step -- an important step. They can buy more bonds. The person who buys a bond is both thrifty and patriotic. He is making a contribution to his own security and to that of his country. It goes without saying that the people who sell him the bond are performing a considerable service as well -- not only to him -- not only to their ~~Government~~ Nation -- but also ~~to their Nation -- and~~ to the entire free world. It may seem like a small service in an individual case, but I assure you that in the aggregate, the sale of bonds makes a major contribution to our national strength.

Today, tens of millions of Americans own more than $44 billion worth of series E and H bonds. This record holding amounts to 15 per cent of the total Federal debt. I do not have to tell you how important it is to sound government finance to have widespread ownership of the debt in the hands of genuine savers. In this connection, the average dollar investment in Savings Bonds remains outstanding for seven years -- thus Savings Bonds make a real contribution to the maturity structure of our debt. This means that people who buy bonds buy them to save. They buy them as a long-term investment. That speaks well for the people who sell the bonds and the way they are sold.

These are grave times. We and our allies in the free world are challenged today as no nation or group of nations has ever been challenged before. We face a threat and a denial of our belief that Government exists to serve the citizen, rather than the citizen while we face serious problems

doesn't mean merely better goods or more goods. It means more opportunity for the average American and for his children in terms of education, housing, and greater security in a dangerous world.

So you see that on both the international and on domestic economic scenes, we are nevertheless making progress that holds out great promise for the future.

Unfortunately, our pattern of recovery is marred by a level of unemployment that is far too high. The advance of the economy is expected to bring unemployment from its present level of just under seven percent to about five percent around mid-1962. Meanwhile, this is a problem to which the Administration is giving serious and continuing attention, with deep and sympathetic concern for the human factors involved in the unemployment problem.

You who sell U.S. Savings Bonds are performing a public service of a high order. You are contributing to our national strength by improving our system of debt management and thus helping to prevent inflatio production is rising at an encouraging rate. This year our output -- at a seasonally adjusted annual rate -- climbed from a recession low of $501 billion in the first quarter to $516 billion in the second qua and $526 billion in the third quarter. In the final quarter, we anti- cipate a rate ~~of~~ approaching $540 billion. Next year, we expect output to contin to rise, although somewhat less rapidly in the second half of the yea

Fortunately, there are no present signs of inflation. However, just as unnecessary wage and price increases could bring us into serious trouble abroad, they could have the same effect at home. The wage-price creep, if it began in earnest, could swallow the gains we have already made and, by touching off an inflationary spiral throughout the economy, might negate the gains we hope to make in the future. But, if we use self-restrain~~g~~t, our growing economy gives every promise of supplying all of us -- labor, management and the consumer -- with a steadily improving standard of living. This

At present, we face a very real danger to the international sta of the dollar. That danger comes, not from abroad, but from sources here at home. It is the danger of inflation through wage-price press Unnecessary price increases now could seriously harm our internationa trade position by pricing our goods out of foreign markets. As a result the dollar, the major reserve currency of the free world, coul become a target for speculative pressure. This development would be serious, not only for us, but for all free nations, for it is in thei best interest that the dollar remain strong. It will remain strong if both management and labor alike look beyond their individual and immediate needs to the state of our nation. If we are to continue to grow as a major economic power, we must use self-restraint to [redacted] keep wage-price inflationary pressures to a minimum.

So much for our international position. Now let's consider the state of our domestic economy: its outstanding aspect at present is a strong, healthy rate of recovery from recession. Our national problem solved until we have reached reasonable equilibrium on our international balance sheet. This will take time, because the long-range solution to our international payments problem requires that w significantly expand our merchandise exports. The Administration is making every effort to help American manufacturers increase merchand: exports. We are doing so by increasing Government services to exporters, by intensifying our efforts to provide exporters with up-to-date market information, by developing a comprehensive export insurance program, and by advocating reforms in our tax policy on depreciation of manufacturing equipment which will give industry fresh incentives to modernize and, hence, to retain our competitive position in world markets. In time, I am confident that aggressive American know-how, combined with intelligent Government assistance, will lead to a significant expansion of our export markets and will help our firms to meet foreign competition at home.

Oct 25, 196

~~SECOND DRAFT~~ RELEASE ON DELIVERY ~~OCTOBER 19, 1961~~

REMARKS BY THE HONORABLE DOUGLAS DILLON,
SECRETARY OF THE TREASURY,
BEFORE THE U. S. SAVINGS BONDS NATIONAL SALES CONFERENCE,
STATLER-HILTON, WASHINGTON, D.C., WEDNESDAY, OCTOBER 25, 1961, 12:30 P.M., EDT

I am happy to have the opportunity to meet with you today becau I believe wholeheartedly that the work you are doing is very importa to our national welfare. Before I discuss that work, let me tell yo something about the economic problems presently facing our Nation an what we are doing to help solve them.

On the international scene, as you know, our chief concern is o balance of payments. Last Fall and Winter a number of world conditi combined to bring on a near-crisis of confidence in the dollar. Tha to the prompt action of President Kennedy in making it clear that the would be no devaluation of the dollar, that crisis is now past. We cannot, however, think of the problem as behind us. To be sure, the has been considerable improvement and our international payments deficit this year will only be about half the size of the deficits in each of the past two years. We should not, however, consider the

TREASURY DEPARTMENT
Washington

October 25, 1961

RELEASE ON DELIVERY

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
U. S. SAVINGS BONDS NATIONAL SALES CONFERENCE
STATLER-HILTON HOTEL, WASHINGTON, D. C.
WEDNESDAY, OCTOBER 25, 1961, 12:30 P. M., EDT

I am happy to have the opportunity to meet with you today because I believe wholeheartedly that the work you are doing is very important to our national welfare. Before I discuss that work, let me tell you something about the economic problems presently facing our Nation and what we are doing to help solve them.

On the international scene, as you know, our chief concern is our balance of payments. Last Fall and Winter a number of world conditions combined to bring on a near-crisis of confidence in the dollar. Thanks to the prompt action of President Kennedy in making it clear that there would be no devaluation of the dollar, that crisis is now past. We cannot, however, think of the problem as behind us. To be sure, there has been considerable improvement and our international payments deficit this year will only be about half the size of the deficits in each of the past two years. We should not, however, consider the problem solved until we have reached reasonable equilibrium on our international balance sheet. This will take time, because the long-range solution to our international payments problem requires that we significantly expand our merchandise exports. The Administration is making every effort to help American manufacturers increase merchandise exports. We are doing so by increasing Government services to exporters, by intensifying our efforts to provide exporters with up-to-date market information, by developing a comprehensive export insurance program, and by advocating reforms in our tax policy on depreciation of manufacturing equipment which will give industry fresh incentives to modernize and, hence, to retain our competitive position in world markets. In time, I am confident that aggressive American know-how, combined with intelligent Government assistance, will lead to a significant expansion of our export markets and will help our firms to meet foreign competition at home.

At present, we face a very real danger to the international standing of the dollar. That danger comes, not from abroad, but from sources here at home. It is the danger of inflation through wage-price pressures. Unnecessary price increases now could seriously

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harm our international trade position by pricing our goods out of foreign markets. As a result the dollar, the major reserve currency of the free world, could become a target for speculative pressure. This development would be serious, not only for us, but for all free nations, for it is in their best interest that the dollar remain strong. It will remain strong if both management and labor alike look beyond their individual and immediate needs to the state of our nation. If we are to continue to grow as a major economic power, we must use self-restraint to keep wage-price inflationary pressures to a minimum.

So much for our international position. Now let's consider the state of our domestic economy: its outstanding aspect at present is a strong, healthy rate of recovery from recession. Our national production is rising at an encouraging rate. This year our output -- at a seasonally adjusted annual rate -- climbed from a recession low of $501 billion in the first quarter to $516 billion in the second quarter, and $526 billion in the third quarter. In the final quarter, we anticipate a rate approaching $540 billion. Next year, we expect output to continue to rise, although somewhat less rapidly in the second half of the year.

Fortunately, there are no present signs of inflation. However, just as unnecessary wage and price increases could bring us into serious trouble abroad, they could have the same effect at home. The wage-price creep, if it began in earnest, could swallow the gains we have already made and, by touching off an inflationary spiral throughout the economy, might negate the gains we hope to make in the future. But, if we use self-restraint, our growing economy gives every promise of supplying all of us -- labor, management and the consumer -- with a steadily improving standard of living. This doesn't mean merely better goods or more goods. It means more opportunity for the average American and for his children in terms of education, housing, and greater security in a dangerous world.

So you see that while we face serious problems on both the international and on the domestic economic scene, we are nevertheless making progress that holds out great promise for the future.

Unfortunately, our pattern of recovery is marred by a level of unemployment that is far too high. The advance of the economy is expected to bring unemployment from its present level of just under seven percent to about five percent around mid-1962. Meanwhile, this is a problem to which the Administration is giving serious and continuing attention, with deep and sympathetic concern for the human factors involved in the unemployment problem.

You who sell U. S. Savings Bonds are performing a public service of a high order. You are contributing to our national strength by improving our system of debt management and thus helping to prevent inflation.

Today, tens of millions of Americans own more than $44 billion worth of Series E and H Bonds. This record holding amounts to 15 per cent of the total Federal debt. I do not have to tell you how important it is to sound government finance to have widespread ownership of the debt in the hands of genuine savers. In this connection, the average dollar investment in Savings Bonds remains outstanding for seven years -- thus Savings Bonds make a real contribution to the maturity structure of our debt. This means that people who buy bonds buy them to save. They buy them as a long-term investment. That speaks well for the people who sell the bonds and the way they are sold.

These are grave times. We and our allies in the free world are challenged today as no nation or group of nations has ever been challenged before. We face a threat and a denial of our belief that Government exists to serve the citizen, rather than the citizen to serve the state. In the days ahead, our ability to meet aggression in the world -- in no matter what form it is mounted -- will depend to a large extent upon the power of our economy. Buying bonds is a way in which every American can contribute directly to his Nation's economic strength. For those who ask what they can do to help their country, here is a beginning step -- an important step. They can buy more bonds. The person who buys a bond is both thrifty and patriotic. He is making a contribution to his own security and to that of his country. It goes without saying that the people who sell him the bond are performing a considerable service as well -- not only to him -- not only to their Nation -- but also to the entire free world. It may seem like a small service in an individual case, but I assure you that in the aggregate, the sale of bonds makes a major contribution to our national strength.

In his Inaugural address, President Kennedy said:

> "We shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe, to assure the survival of liberty."

Today I have tried to tell you something about the price the President cited. Buying Savings Bonds is a small part of the price. Using self-restraint to prevent inflation is another part. And in the months and years ahead there will be sacrifices as well. But self-restraint and sacrifice are the price of freedom. I am confident that none of us thinks the price is too high.

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 (XXX) or less for the additional bills dated August 3, 1961 (XXX), (91 (XXX) days remaining until maturity date on February 1, 1962 (XXX)) and noncompetitive tenders for $ 100,000 (XXX) or less for the 182 (XXX) -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 November 2, 1961 (XXX), in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 2, 1961 (XXX). 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, October 25, 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 November 2, 1961, in the amount of $1,701,619,000, as follows:

91-day bills (to maturity date) to be issued November 2, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated August 3, 1961, and to mature February 1, 1962, originally issued in the amount of $600,319,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated November 2, 1961, and to mature May 3, 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 Standard time, Monday, October 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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 25, 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.

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 August 3, 1961 (91-days remaining until maturity date on February 1, 1962) 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 November 2, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 2, 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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IMMEDIATE RELEASE

BRAZIL DRAWS $30 MILLION UNDER EXCHANGE AGREEMENT
WITH UNITED STATES

Secretary of the Treasury Douglas Dillon announced today the drawing by the Brazilian Government of an additional $30 million pursuant to the $70 million agreement concluded in May 1961 between the Brazilian Government and the Treasury Exchange Stabilization Fund. The $70 million agreement was part of a larger package of assistance, comprising $338 million in new U. S. Government credits in addition to new credits from other governments and international financial institutions as well as various agreements for the rescheduling of payments due on previous loan obligations.

The agreements concluded between the Governments of Brazil and the United States in May 1961, were entered into in accordance with President Kennedy's desire to assist the Brazilian Government in its program to promote the economic growth and progress of Brazil under conditions of monetary stability. Under these agreements, which are now being implemented, total drawings on the new U.S. Government credits alone have amounted, since September 7, 1961, to $128 million.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

October 27, 1961

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Sept 23, 1961. A native of Wonder, Nevada, Miss Adams served as Administrative Assistant to three Nevada Senators, and has been Administrative Assistant to Senator Alan Bible since 1954.

Her career includes teaching at the University of Nevada, from which she was graduated, later becoming Assistant Dean of Women. She holds a Master's degree in English from Columbia University, and a Master's degree in Law from George Washington University. She is a member of the Bar of Nevada and the District of Columbia, and was admitted to practice before the Supreme Court of the United States in 1954.

As a Nevada member of the American Bar Association, Miss Adams was appointed last year to the Resolutions Committee of the A.B.A. She is an active member of the Federal Bar Association, the Women's Bar Association, as well as the Federal Communications Bar, the American Judicature Society, and the American Academy of Political and Social Science.

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October 30, 1961

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IMMEDIATE RELEASE

EVA B. ADAMS TAKES OATH AS DIRECTOR OF THE MINT

Miss Eva B. Adams of Nevada was today sworn in as Director of the Mint. The oath of office was administered by Associate Justice of the United States Supreme Court Tom C. Clark.

Treasury Secretary Douglas Dillon welcomed Miss Adams to her new post at the ceremony in the Treasury building which ~~was~~ attended by: Senator Alan B of Nevada and other Congressional and ~~other~~ Treasury officials, and numerous friends.

Secretary Dillon told the new Mint Director:

"You are taking charge of the Mint at a time when the largest number of U. S. coins in our history is being made -- about three and a quarter billion this fiscal year, ~~[illegible]~~ This, of course, reflects our growing economy; ~~--~~ therefore, I can confidently predict that your business will continue on the upgrade."

Miss Adams was nominated Director of the Mint by President Kennedy on September 21, 1961, and confirmed by the Senate on

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October 30, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, October 31, 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 August 3, 1961, and the other series to be dated November 2, 1961, which were offered on October 25, were opened at the Federal Reserve Banks on October 30. 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 February 1, 1962		182-day Treasury bills maturing May 3, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.428	2.263%	98.686	2.599%
Low	99.421	2.291%	98.677	2.617%
Average	99.424	2.280% 1/	98.679	2.613% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 29,151,000	$ 12,647,000	$ 1,338,000	$ 1,313,000
New York	1,603,327,000	707,494,000	1,275,338,000	482,829,000
Philadelphia	24,528,000	9,378,000	8,914,000	1,796,000
Cleveland	33,702,000	27,552,000	22,505,000	7,085,000
Richmond	10,632,000	10,392,000	8,848,000	2,590,000
Atlanta	20,192,000	14,967,000	4,729,000	4,315,000
Chicago	232,523,000	154,639,000	126,189,000	60,464,000
St. Louis	29,313,000	19,033,000	9,879,000	5,779,000
Minneapolis	22,383,000	16,163,000	6,500,000	3,915,000
Kansas City	38,501,000	26,501,000	20,858,000	13,961,000
Dallas	16,350,000	16,150,000	4,437,000	4,437,000
San Francisco	96,240,000	85,320,000	40,321,000	11,801,000
TOTALS	$2,156,842,000	$1,100,236,000 a/	$1,529,856,000	$600,283,000 b/

a/ Includes $215,258,000 noncompetitive tenders accepted at the average price of 99.424
b/ Includes $56,198,000 noncompetitive tenders accepted at the average price of 98.679
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.32%, for the 91-day bills, and 2.68%, 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.

October 30, 1961

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Philadelphia	24,528,000	9,378,000	:	8,914,000	1,796,000
Cleveland	33,702,000	27,552,000	:	22,505,000	7,085,000
Richmond	10,632,000	10,392,000	:	8,848,000	2,590,000
Atlanta	20,192,000	14,967,000	:	4,729,000	4,315,000
Chicago	232,523,000	154,639,000	:	126,189,000	60,464,000
St. Louis	29,313,000	19,033,000	:	9,879,000	5,779,000
Minneapolis	22,383,000	16,163,000	:	6,500,000	3,915,000
Kansas City	38,501,000	26,501,000	:	20,858,000	13,961,000
Dallas	16,350,000	16,150,000	:	4,437,000	4,437,000
San Francisco	96,240,000	85,320,000	:	40,321,000	11,801,000
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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 subje 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 intere Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amour 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 e cluded 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, wheth on original issue or on subsequent purchase, and the amount actually received eith upon sale or redemption at maturity during the taxable year for which the return i made, as ordinary gain or loss.

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 10, 1961, (91 days remaining until maturity date on February 8, 1962) 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 November 9, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 9, 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 XXXXXXXXX November 1, 1961

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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 November 9, 1961 , in the amount of $1,700,694,000 , as follows:

91 -day bills (to maturity date) to be issued November 9, 1961 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated August 10, 1961 , and to mature February 8, 1962 , originally issued in the amount of $ 600,153,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 500,000,000 , or thereabouts, to be dated November 9, 1961 , and to mature May 10, 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 Standard time, Monday, November 6, 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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November 1, 1961

FOR IMMEDIATE RELEASE

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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 hereunde need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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TREASURY DEPARTMENT
Washington

REMARKS BY STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE ANNUAL MEETING
OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
CHICAGO, ILLINOIS
NOVEMBER 1,1961

My assignment on this panel is to discuss the tax picture from the standpoint of the Treasury Department's legislative program. As you know, the President recommended a number of changes in the Internal Revenue Code in his April 1961 Tax Message. Congressman Keogh has recounted the history of the Congressional consideration of those changes in the 1961 Session. The present status is that a bill is pending in the House Ways and Means Committee, and is scheduled to be its first order of business in the 1962 Session. In the meantime, the Committee has released a Discussion Draft embodying its tentative decisions, and a Staff General Explanation of that Draft. I urge your study of the Draft and the Explanation.

The Treasury Department intends to urge before the Congress in 1962 the objectives set forth in the President's Tax Message. It believes those objectives are as important in 1962 as in 1961 -- in some aspects even more important. The Department recognizes, of course, that the Ways and Means Committee's extensive and painstaking consideration of the Treasury Department's detailed proposals to implement that Message have produced many improvements. It would be surprising if they did not, for the whole purpose of lengthy public hearings and Committee executive sessions is to permit critical examination before the mirrors of many views and situations. One must be careful to draw distinctions between improvements in the details of proposals and differences in policy viewpoints. Further, even as to policy viewpoints, one must distinguish between minor variations in policy where the die could well be cast either way and in which the Treasury Department would willingly accept the Committee's preferences, and those policy differences which are basic to the particular issue involved. The Treasury Department, in its comparison of the Discussion Draft with its original proposals, must make distinctions of this nature in preparing its position for the further consideration of the bill. It may therefore be appropriate to say a few words on the various items covered by the Discussion Draft.

First, as to the investment credit. The Democratic members of the Committee have publicly emphasized the importance of the investment credit, and I believe this view is shared by many of the Republican members. The Draft embodies an 8 percent credit against tax for investment in tangible personal property. It thus adopts a uniform approach as compared with the President's graduated credit turning on a comparison of current investment with prior investment. There is much that can be said either way on this question of credit structure. I might observe that the Canadians, in adopting an incentive for investment in their 1961 tax changes, chose the Administration's form for the same reasons that prompted its suggestion by the President -- it provides the maximum incentive at the least revenue cost. The Committee preferred a simpler form which made the same amount of credit available to all businesses. The Treasury Department places primary stress on the principle of the credit, and finds the Committee's formulation well within the range of acceptable alternatives as to the structure of the credit. Most of the other structural details accord with the Treasury's views -- the coverage of tangible personal property (broadly defined to cover real property other than buildings, if used in manufacturing, production, transportation and communication); the extension to used assets up to $50,000 (though the $100,000 limit where a joint return is used seems too generous); the non-application to public utilities.

The Treasury Department has, as you know, continued to make the progress toward depreciation revision that the President and the Secretary stressed last April would be made. Thus, the Department is engaged in an extensive re-examination of depreciable lives, and is currently tabulating the large amount of data resulting from two surveys. The President's announcement on October 11 of new depreciable lives for the textile industry is a firm indication that this study is in earnest. Our endeavor is to provide a schedule of realistic lives in the light of both current and expected technology so as to permit the proper measurement of taxable income, which is the function of the depreciation deduction. This is one of the most significant tax steps that has been taken in many years. In addition, we are studying ways in which the application of the depreciation deduction may be simplified and produce less controversy in individual situations. Thus, the pending bill makes an important contribution in its relaxation of the rules as to salvage value. If estimated salvage value is less than 10 percent of cost, then the salvage value may be disregarded. We are hopeful that our depreciation studies will disclose other avenues of simplification and improvement.

Depreciation revision, with its more realistic lives and greater ease in administration, will contribute greatly to increased investment in machinery and equipment, and thus in the modernization of our industries. But this is not enough. If our recovery from the recession is to be strong and sustained, if our basic rate of growth is to increase, if we are to maintain and improve our competitive position in the world, then we must achieve a greater degree of investment in our productive goods. The incentive of the investment credit -- and it is an incentive -- is designed for this purpose. The Treasury believes that its twin program of depreciation reform -- depreciation revision and investment credit -- are vital to our economic well-being.

As to the other aspects of the Draft, I might next mention the section 1231 change. Here the Draft contains the recommendation that section 1231 be changed to provide ordinary income treatment for so much of the gain as is not in excess of prior depreciation. Indeed, this provision is an essential comparison to depreciation revision and the credit. The Draft looks only at depreciation taken after December 31, 1960, which while generous is an acceptable approach. But the Draft is confined to personal property and thus leaves real property still with capital gain treatment. This continuation of the section 1231 rules as to real property leaves the real property problems unsolved, and we will press for some solution in this area, either in continued consideration of this aspect of section 1231 or other approaches. Indeed, the area of "real estate shelters" requires that some action be taken to end abuses -- and I think that many in the real estate area share this view.

As to withholding on dividends and interest, we still have to face the unyielding fact that there is $4 billion of unreported dividends and interest (about 9 percent of all dividends and 35 percent of all interest), involving about $900 million of taxable dividends and $2 billion of taxable interest -- and a revenue loss of about $900 million. The Treasury Department believes that only withholding will end this almost fantastic state of affairs. Educational measures, helpful as they may be in preventing further deterioriation, will not turn the tide. ADP and account numbers, now or in the future, are not the answer. ADP is only as good as the information it receives, and information returns on all payments of interest and dividends would be an expensive process to both payors and the Service even if practicable. Also ADP does not by itself collect taxes. But an automatic method that prevents non-compliance -- such as withholding -- does collect taxes. The Discussion Draft contains some refinements in the withholding technique which were suggested by the Treasury after the Committee indicated it preferred to stress reduction of any possible hardships on payees as contrasted with more simplified steps at the payor level. These refinements involve exemption certificates for savings accounts, savings bonds and dividends, and also a system of quarterly refunds that takes account of over-withholding due to personal exemptions and the retirement income credit. The Treasury, in consultation with the banks and others, is seeing if further improvements in technique are possible. For we are anxious that the withholding system be as convenient to payors and payees as is possible compatible with its essential requirements.

As to expense accounts, here also the main outlines of the problem seem clear. The entertainment and traveling expense area is a difficult one under an income tax -- in the United States or elsewhere. It is a borderline area where items capable of having some association with business or the other earning of income mingle with items involving or capable of involving personal pleasure and activity. These latter items would be clearly non-deductible without the business association. It is thus a sensitive area where a net income concept based on the deduction of "all business expenses" simply can not stand the strain. The sensitivity of the area and the inadequacy of present rules are generally recognized by nearly all. "Expense account society" and "expense account abuses" are common terms.

Yet what is the solution? Unfortunately few discussions get much beyond this question. For a crucial question is just what need be preserved as an area of deductibility where entertainment is involved, taking into account -- and this is important -- the obvious abuses that exist.

The President found no real area to be preserved except that of the "quiet business meal" and recommended disallowance of entertainment expenses. The Committee so far has had difficulties with this rigorous attitude. But since the Committee is also worried about the abuses it has searched for a middle ground. The Discussion Draft permits entertainment expenses to be deductible "if directly related to production of income and not merely for good will". This phrasing is intended to be restrictive as compared with present law because of the "not merely for good will" rule. There may be problems with this phrasing, and test, and it is not the Treasury's preference. The Treasury still stands on its recommendation and in effect feels that the burden is on those who stress the "cure the abuse" approach to see if a better solution can be found than that recommendation. After all, just how should the yachting weekend, the round up of a few business associates to fly off for a weekend, the reciprocal parties at the country club, be treated? They are presently deductible. If we don't want it this way, what should be the rule? Is there really any solution other than disallowance?

When we turn to traveling expense, here also we can see the problem -- that of expenses which appear in many cases to be geared in their amounts to personal comforts rather than business ends, plus pleasure travel which has a thin veneer of business, as the Florida trip with a convenient business appointment or the international convention. The President recommended an upper limit of twice the Government per diem (now $16 for domestic travel) and an allocation where the trip was a combined business and pleasure trip. The Committee again so far has had difficulty in taking this step, and instead the Draft alters section 162 (a) (2) to stress that only "a reasonable allowance" for meals and lodging is deductible. The Draft also requires substantiation of all claimed entertainment and travel expenses, in order to overrule the Cohan case.

When we turn to the foreign income area, the Discussion Draft and events connected with it are working in the direction of the President's recommendations. The foreign income proposals of the President are based on some basic changes in the world of today -- the fact that the United States must constantly watch its balance of payments position, that the development of Western Europe with its new mass market is making economic conditions there similar in significant respects to those in the United States, and that the jet age has changed living patterns for many people. All of this leads to the viewpoint that tax rules adopted many years ago are in need of re-examination.

In response, the Draft places a ceiling on the previous unlimited exemption for residence abroad. It also ends the rate reduction now involved in the foreign tax credit formula when a credit is given to the parent for its foreign subsidiary's tax. Incidentally, the critics of this proposal who stress the separateness of parent and subsidiary and say that present law is appropriate since it yields a 52 percent rate on the actual dividend should ask themselves why, if their argument is correct, there should be a credit granted at all for the subsidiary's tax.

The Draft, in addition, strengthens the information requirements of the Code.

Finally, the Committee requested the Treasury to make public its draft of legislative language designed to implement the President's recommendation that tax deferral be ended for tax haven corporations. The Treasury welcomes suggestions respecting this draft, for it recognizes the definitional and other technical points involved in the proposal. But as we see it, the proposal is needed both to end abuses in this area and also to end the tax preferences for investment abroad as against investment in the United States that are inherent in much of tax haven operations. At a time when we are vitally concerned with a strong and modern United States industrial machine we cannot be granting tax inducements that may lure investment to Western Europe and other developed areas that would otherwise stay at home.

As for other aspects of the foreign income the Committee did not have time to consider the matters of foreign trusts, Canadian investment companies, or the estate tax exemption for foreign real estate, and we regard these as still on the agenda.

The rest of the Draft concerns itself with the tax treatment of certain types of business organizations that now are treated more lightly than the general run of corporate activity. The present Draft covers cooperatives and mutual casualty insurance companies, and the Committee is also considering the treatment of savings banks and savings and loan associations. These subjects very obviously involve the clash of opposing business groups. The Treasury thus finds itself in the role of a referee in the ring, subject to being outvoted by the Congressional judges at the ringside. We believe that in all of these situations the present balance should shift considerably closer to general tax treatment, and the Draft also moves in that direction.

One recommendation of the President is not touched on at all by the Draft, and that is the elimination of the 4 percent dividend credit and $50 exclusion. The Treasury still regards the recommendation as an important one. It must be remembered that the President intends to submit a balanced budget for fiscal 1963, so that the cast of the revenue balance in the pending bill is an important consideration.

Looking further ahead, the Treasury is preparing a program of basic tax reform. Our efforts center around a broadening of the income tax base, an elimination of preferences, and a consequent re-examination of the rate structure. Our goals are a more equitable application of the tax, a tax structure that is more conducive to economic growth, and a tax structure that is free from hampering complexities wherever possible. We believe that the urgent and deeply felt desire for tax reform shares these goals with us as the "image" of the tax reform that is sought. The pending bill is thus only a first step along the road.

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Our economy must support heavy expenditures to meet our urgent national needs -- both at home and abroad -- and to sustain the defensive forces that guard our own security and that of the entire free world. These necessary expenditures are reflected in our present tax burden. More than half of our tax dollar is devoted to defense alone, and substantial additional portions go to other programs of vital importance to our national security. Therefore, every additional dollar of revenue derived from the improved collection techniques made possible by electronic equipment is a direct contribution to the advancement of our national interest.

The facility we dedicate today is the heart of the total ADP system. Within this building, magnetic tapes will eventually store the entire record of every taxpayer in the United States. These master tapes will transcribe information electronically from data supplied by nine regional service centers to be established throughout the country. Five or six years from now, when the system is fully developed, some 78 million accounts -- 72 million individual and 6 million business -- will be maintained here on some 400 miles of tape. From this data, the Internal Revenue Service will be able to determine the tax status of any taxpayer, at any time.

With automatic data processing equipment, the Service will be able to keep a systematic check on failure of taxpayers to file returns, to determine quickly whether taxes are owed for previous years, and to instantly detect such things as duplicate claims for refunds. It will also enable the Service to do a better job of determining which returns should be selected for audit purposes.

But the advantages of ADP will not be limited to improve tax collection. The Internal Revenue Service is also charged with paying out refunds under our system of withholding. Last year, some 36 million refund checks were mailed. Every year, some five hundred thousand of these checks fail to reach their destination, usually because the taxpayer has moved without leaving any forwarding address. With the help of ADP, the Internal Revenue Service will be able to cure this situation and refunds will be faster and more certain.

The new technique will not dehumanize our tax administration. It will not be man against machine -- the individual taxpayer versus a giant, impersonal monster that thrives only on numbers. The Internal Revenue Service will continue to offer all the assistance and other services now provided to taxpayers with questions or problems. In fact, the new system should permit the Service to devote more time to direct, personal contacts. The over-all effect will be improved and more rapid service to taxpayers in all their dealings with the Government.

I am pleased that you could join us on this important occasion. As the ADP system becomes fully operative in the years ahead, I am confident that we will look back on this occasion as a major turning-point in public tax administration.

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TREASURY DEPARTMENT
Washington

November 3, 1961

FOR RELEASE P. M. NEWSPAPERS
MONDAY, NOVEMBER 6, 1961.

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE DEDICATION OF THE INTERNAL REVENUE SERVICE
NATIONAL COMPUTER CENTER, MARTINSBURG, WEST VIRGINIA,
MONDAY, NOVEMBER 6, 1961, 11:30 A.M., EST

We are here today, not merely to dedicate one more Government building, but to launch a new era in public tax administration.

By employing electronic equipment to process an enormous mass of data far more rapidly and far more accurately than can be done by manual methods, we are taking a giant stride toward improving the operation of our tax system. We are also demonstrating that Government is a dynamic organism, capable of self-improvement through the adoption of modern tools and techniques. The British statesman, Edmund Burke, once said: "Government is a contrivance of human wisdom to provide for human wants. Men have a right that these wants should be provided for by this wisdom."

One of the continuing wants of the American people is ever more efficient and more effective public administration. By meshing an automatic data processing system into the operations of the Internal Revenue Service, we are moving closer to fulfilling that want.

The ADP system we are initiating here today is a major advance that brings an entirely new dimension to tax administration.

A very important element in this advance is the fact that adoption of automatic data processing equipment will increase our total revenues by helping to ensure that all of our citizens are bearing their full and fair share of the national tax burden. It shoul also give comforting reassurance to our honest, tax-paying citizens -- and they are in the vast majority -- that life will be made far more difficult for the foolish few who are tempted to cheat or to evade. And, by enhancing the certainty and fairness of our tax administration, it will strengthen the Nation to face the tasks that lie ahead.

We are locked in a struggle with a powerful and resourceful adversary. There is no end in sight to that contest. We are confident that we shall emerge victorious -- no matter what form the contest may take. But, to prevail, we must have an economy that flourishes and grows stronger every year.

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TREASURY DEPARTMENT
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Consolidated with Belgium announce
Nov 2 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON AMMONIUM SULFATE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that ammonium sulfate 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. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received during the first six months of 1961 was approximately $258,000.

Nov 2 1961

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Belgium ---- approximately $127,000
West Germany --- " $258,000

TREASURY DEPARTMENT

WASHINGTON, D.C.

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November 2, 1961

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

November 2, 1961

FOR IMMEDIATE RELEASE

The United States Tariff Commission has determined that an industry in the United States is being injured by reason of the importation of portland gray cement from Portugal. Accordingly, the Treasury Department is issuing a finding of dumping with respect to this merchandise imported from Portugal. Treasury Decision 55501 to this effect is being published in the Federal Register and in a weekly issue of Treasury Decisions.

There were no importations of portland gray cement received from Portugal during the first six months of 1961.

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 2, 1961

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 2, 1961

IMMEDIATE RELEASE

TREASURY TO REFUND $7 BILLION OF 2-1/2% TREASURY BONDS MATURING NOVEMBER 15, 1961, AND TO RAISE $800 MILLION IN CASH

The Treasury is offering holders of $6,963 million of 2-1/2% Treasury Bonds of 1961, which mature November 15, 1961, and which were originally issued on February 15, 1954, the right to exchange them for any of the following securities:

A 3-1/4% note dated November 15, 1961, due February 15, 1963, at par, or

An additional amount of 3-3/4% Treasury Bonds of 1966, originally issued November 15, 1960, maturing May 15, 1966, in the amount of $1,213 million, at 99.75, with interest from November 15, 1961, to yield about 3.81%, or

An additional amount of 3-7/8% Bonds of 1974, originally issued on December 2, 1957, maturing November 15, 1974, in the amount of $654 million, at 99.00, with interest from November 15, 1961, to yield about 3.97%.

Cash subscriptions for the securities listed above will not be received.

The subscription books will be open only on November 6 through November 9 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 November 9, will be considered as timely. The securities will be delivered November 15, 1961 and will be made available in registered form, as well as bearer form.

Interest on the new 3-1/4% 15-month Treasury note will be paid on February 15 and August 15, 1962, and February 15, 1963. Interest on the 3-3/4% Treasury Bonds of 1966, and the 3-7/8% Treasury Bonds of 1974 is payable semiannually on May 15 and November 15.

Exchanges of the 2-1/2% Treasury Bonds maturing November 15, 1961 may be made for a like face amount of the securities included in this exchange offering. Coupons dated November 15, 1961 on the maturing 2-1/2% Treasury Bonds exchanged for the new issues should be detached by holders and cashed when due. Interest on the securities issued in exchange will be payable from November 15, 1961.

Holders of the 2-1/2% Treasury Bonds maturing November 15, 1961, who exchange them for the 3-3/4% Treasury Bonds of 1966 will be paid the amount of $2.50 per $1,000, representing the discount on the new securities, and holders of the 2-1/2% Bonds who exchange them for the 3-7/8% Bonds of 1974 will be paid $10 per thousand, representing the discount on such bonds.

TREASURY BILLS -- In addition to the exchange privilege open to the holders of the maturing 2-1/2% Treasury Bonds of 1961, the Treasury will also receive tenders on Thursday, November 9, for approximately $800 million of a "strip" of additional amounts of eight series of outstanding Treasury bills maturing weekly from December 7, 1961 to January 25, 1962, inclusive. The additional amount of each weekly series will be $100 million. These additional Treasury bills will be issued on November 15, 1961 and payment for them must be made in cash or other immediately available funds on that date. Payment for such bills by credit in Treasury Tax and Loan Accounts will not be permitted.

Full details concerning these Treasury bills are contained in the Treasury's announcement inviting tenders for such bills which is being released today.

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Estimated Ownership of November 15, 1961 Bond*

(In millions of dollars)

Commercial banks	$3,425
Mutual savings banks	113
Insurance companies	
Life	56
Fire, casualty and marine	245
Total, insurance companies	301
Corporate pension funds	75
Corporations	1,375
Savings & loan associations	100
State and local funds	290
All other private investors	1,215
Total, privately held	6,894
Federal Reserve banks and Government Investment Accounts	69
Total outstanding	$6,963

Office of the Secretary of the Treasury November 2, 1961

* All privately held data is based on the September 30, 1961 Treasury Survey of Ownership. Federal Reserve banks and Government Investment Accounts holdings are as of October 31, 1961.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 2, 1961

FOR IMMEDIATE RELEASE

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

The Treasury Department, by this public notice, invites tenders for additional amounts of eight series of Treasury bills to an aggregate amount of $800,000,000, or thereabouts, for cash. The additional bills will be issued November 15, 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	Days from Nov. 15, 1961 to Maturity	Amount Outstanding (in millions) Nov. 2, 1961
$100,000,000	June 8	December 7, 1961	22	$1,609
100,000,000	June 15	December 14, 1961	29	1,601
100,000,000	June 23	December 21, 1961	36	1,601
100,000,000	June 29	December 28, 1961	43	1,600
100,000,000	July 6	January 4, 1962	50	1,600
100,000,000	July 13	January 11, 1962	57	1,601
100,000,000	July 20	January 18, 1962	64	1,600
100,000,000	July 27	January 25, 1962	71	1,601
$800,000,000				

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the amount of $8,000, 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 $40,000 will be applied $5,000 to the issue with original date of June 8, 1961, and $5,000 to each of the additional weekly issues through the issue with original date of July 27, 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 bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty o'clock p.m., Eastern Standard time, November 9, 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 $8,000, 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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 $80,000 or less (in even multiples of $8,000) 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 $400,000,000, 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 $8,000. 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 November 15, 1961.

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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and the affection of those he regulates. This is a rich measure of both personal and professional accomplishment."

Mr. Gidney is the eighteenth Treasury official to receive the Alexander Hamilton Medal, which is of gold and bears a bas-relief portrait of Hamilton, the first Secretary of the Treasury, on one side and the Treasury seal on the other. A certificate signed by the Secretary of the Treasury accompanies the award.

Mr. Gidney's resignation as Comptroller of the Currency is effective November 15th.

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DRAFT -- 11-2-61

November 3, 1961

FOR IMMEDIATE RELEASE

RAY M. GIDNEY, COMPTROLLER OF THE CURRENCY,
RECEIVES ALEXANDER HAMILTON AWARD

Comptroller of the Currency Ray M. Gidney today received the Alexander Hamilton Medal, the Treasury's highest award. This Award is given for outstanding and distinguished leadership in the Treasury Department.

Secretary Dillon made the presentation at a ceremony in the Treasury building. Those attending included Government officials, banking associates, and friends of Mr. Gidney.

Secretary Dillon said in making the presentation:

"I consider it an honor and a privilege to confer upon Ray Gidney the Treasury's highest award -- the Alexander Hamilton Gold Medal.

"Ray Gidney's service has been marked by great ability and by a strong devotion to his responsibilities. His knowledge of banking

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D-286

TREASURY DEPARTMENT

WASHINGTON, D.C.

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D-286

November 6, 1961

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, November 7, 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 August 10, 196 and the other series to be dated November 9, 1961, which were offered on November 1, were opened at the Federal Reserve Banks on November 6. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $500,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 8, 1962		:	182-day Treasury bills maturing May 10, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.413 a/	2.322%	:	98.718	2.536%
Low	99.402	2.366%	:	98.706	2.560%
Average	99.406	2.349% 1/	:	98.709	2.554% 1/

a/ Excepting one tender of $100,000
87 percent of the amount of 91-day bills bid for at the low price was accepted
26 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	$ 32,416,000	$ 20,156,000	:	$ 2,526,000	$ 2,526,000
New York	1,428,860,000	757,130,000	:	914,039,000	394,984,000
Philadelphia	33,445,000	18,445,000	:	9,187,000	3,387,000
Cleveland	32,255,000	32,255,000	:	22,401,000	7,351,000
Richmond	13,307,000	13,307,000	:	2,253,000	1,919,000
Atlanta	19,552,000	19,122,000	:	4,580,000	4,370,000
Chicago	211,432,000	159,833,000	:	100,991,000	48,385,000
St. Louis	26,612,000	22,482,000	:	9,199,000	8,199,000
Minneapolis	26,947,000	24,947,000	:	6,007,000	3,507,000
Kansas City	39,773,000	35,993,000	:	22,811,000	11,250,000
Dallas	13,593,000	13,593,000	:	7,004,000	6,104,000
San Francisco	93,262,000	83,132,000	:	50,152,000	8,270,000
TOTALS	$1,971,454,000	$1,200,395,000 b/	:	$1,151,150,000	$500,252,000 c/

b/ Includes $229,283,000 noncompetitive tenders accepted at the average price of 99.406
c/ Includes $54,879,000 noncompetitive tenders accepted at the average price of 98.709
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.40%, for the 91-day bills, and 2.62%, 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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WASHINGTON, D.C.

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Atlanta	19,552,000	19,122,000	4,580,000	4,370,000
Chicago	211,432,000	159,833,000	100,991,000	48,385,000
St. Louis	26,612,000	22,482,000	9,199,000	8,199,000
Minneapolis	26,947,000	24,947,000	6,007,000	3,507,000
Kansas City	39,773,000	35,993,000	22,811,000	11,250,000
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so long as more than half of our most talented high school students do not go on to college, and so long as per-pupil expenditures in the states that spend the most for education are double those of the state that spend the least.

To meet these needs we must marshal our efforts and our resources be they private, community, state, or federal. We must stop quarrelli over methods and find solutions that will give us the educational system -- second to none-- that we must have if we are to succeed in the great tasks that face our Nation, if we are to fulfill America's shining promise, if we are to be worthy of the high ideals that inspired Albert Gallatin throughout his lifetime of service to freedom and democracy.

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compete and prosper in the trading world of tomorrow.

I cannot conclude here tonight without paying tribute to Albert Gallatin's abiding interest in education. This interest was first manifested in 1790 when he fought in the Pennsylvania legislature to improve the schools of that great Commonwealth. It culminated in his great contribution to the founding of New York University, which has given so much to the community and to the Nation.

Once again -- as in Gallatin's time -- we are engaged in a great struggle to improve our educational system. I need not tell you of the social importance of education. But I would like to stress its economic importance. We are striving for increasing productivity thro technological advances. As technology progresses, we will need to increase the number of our skilled workers, as well as their degrees of skill. Improved education will lead to increased productivity through better technology, better systems of production, and more efficient distribution. We cannot hope to achieve our maximum potential growth same problem that faced our Nation in Gallatin's era is with us again today.

With the emergence of the European Common Market, in which Great Britain has now requested membership, we face the probability of a new and united trading ~~bloc~~ unit of some 300 million people. If we are to prosper, if we are to earn the foreign exchange we must have to purcha[se] raw materials needed by our industry, we must sell our industrial products in Europe. ~~This~~ THAT means that we must have a firm basis for negotiating with our European friends to remove ~~discriminations~~ tariff barriers against our products. ~~That~~ IT will involve authority for the President to negoti[ate] with the common market for reciprocal, across-the-board reductions in industrial tariffs, with their eventual elimination as our goal. We will also have to devise new techniques to preserve our agricultural markets, and to see to it that our friends in the developing countries obtain markets for their raw materials and light industries. In esse[nce] we must revolutionize our reciprocal trade legislation so that we can and cancel out those we hope to make in the future.

Our economy is doing well. We feel that we have the tools and the knowledge to minimize -- and perhaps to eliminate -- the danger of drastic downturns. Government policy is oriented to the stimulation of sound recovery and to the promotion of long-term growth. But the major stimulus must come, not from Government, but from the private sec[tor] of our economy. Profits based on inflationary price and wage increases that exceed productivity serve neither the public nor the private interest. This is a matter ~~for~~ OF patriotism -- a matter ~~for~~ OF self-sacrifice -- IT CALLS FOR ~~a matter for~~ putting aside immediate but phantom gains in favor of solid long term growth and stability. ~~It is~~ AND also a matter of eminent good sense.

However, even with stable prices, high productivity, and an aggressive campaign to promote exports, we will not succeed if we do not maintain our access to the thriving markets of Europe. Thus, the very

legislation same problem

desire of our citizens for a better life -- as well as the crying need of less privileged peoples in developing areas of the world who lack the means to help themselves, and who look to us for aid. We have tremendous economic potential in this country. We cannot afford to run our economy at slow speed -- to have four to five million workers unemployed -- and to have the human misery and economic waste that such high unemployment represents.

Our goal is rapid economic growth, accompanied by full employment and a stable price level. A major stumbling block in our way is the threat of inflation posed by the wage-price spiral. That is why the Administration holds -- and why I repeat here tonight -- that it is of utmost importance for both management and labor to exercise self-restraint in price and wage increases. Impetuous action in the hope of short-term gains could stall our recovery at home, price our goods out of foreign markets, destroy the economic gains we have already made

A number of free world countries are growing faster -- and in their case, economic growth is in far better balance. In terms of total output -- GNP -- for the years 1953-1960, here are some free world growth rates: Mexico, (6.5 percent); Austria, (6.7); Japan, (7.0); West Germany, (7.1); and Venezuela, (7.3). All of them surpass the Soviet rate of 6 to 6-1/2 percent.

In terms of industrial output, the chosen field of Soviet rulers, the same period saw at least half a dozen free world countries exceed the estimated 8-8.5 percent annual increase of the Soviet Union. These were West Germany and Greece, with 8.7 percent; Italy, with 8.9 percent; Brazil and Venezuela with eleven percent, and Japan with 15.3 percent.

Both the Soviet growth rate and the even more rapid growth of our friends and allies should make us conscious of our own rate of economic growth and the need to increase it. That need would exist even if the Soviet Union did not. It is a need that grows out of the expanding

desire of our

For example, while Soviet gains in steel production have been impress steel utilization in the Soviet Union is, by our standards, extremely wasteful. This uneconomical use of steel has to be taken into account in any true comparison of steel production figures, for the Soviets require far more steel than we do to achieve the same end results.

Then there is the matter of automobiles: In 1960, we sold to our consumers as many cars in an average week as the Soviets produced in the entire year.

All this does not mean that the Soviet Union is not making progre in the economic field. But it does mean that all is far from perfect in the Soviet economic system. Not only does Soviet growth spring from a base less than half our own, but it remains focused on heavy industry, which milks the economy at the expense of Soviet agriculture and the Soviet consumer.

Moreover, the Soviet Union has no monopoly on economic growth.

A number

Take one important example -- housing -- and see how it has developed during the current Seven-Year Plan, which began only two years ago: In his October 17 speech, Mr. Khrushchev himself admitted that his planners had underestimated the growth of the urban population by at least fifteen million persons. Despite this increased need however, housing construction fell short of even the original goal by eighteen percent last year, and by twenty-five percent in the first si[x] months of this year. No wonder -- as Mr. Khrushchev himself said in t[he] same speech -- "the housing problem remains very acute." making prog.

Soviet agriculture also has regularly fallen short of its goals. Mr. Khrushchev's boast in 1957 that the Soviet Union would surpass the United States in the per capita production of meat by 1961 has not ~~only~~ been fulfilled, ~~but~~ And Soviet meat production is still only one-third of our own. No wonder it is no longer mentioned in Moscow.

Soviet claims in heavy industry also require careful analysis.

~~industrial countries of~~ in Western Europe, and, for the last half of the decade, more than nine percent for Japan.

Meanwhile, the economy of the Soviet Union has been growing at a rate of 6 to 6.5 percent. While there is no comfort in the fact that the Soviet growth rate during the past decade has been almost double our own, we should not permit it to delude or to overawe us.

We are all familiar with the constant and repetitious Soviet boasts of "overtaking and surpassing" us, which were recently restated in even more grandiose terms by Chairman Khrushchev to the 22nd Communist party Congress in Moscow. I would like to comment briefly on those claims:

Soviet economic planning has but one overall objective: to increase the power and prestige of the Soviet state. This aim takes complete precedence over the aspirations of the Soviet people for a better life.

Take one

Depreciation reform will also contribute to our domestic economy. Equipment modernization and greater investment will add momentum to our current recovery by stimulating the machine tool and allied industries and by providing more jobs. And it will increase our long-range growth potential by broadening our industrial base and by increasing our export markets.

A few figures illustrate the importance of domestic investment to long-term growth: the level of investment in machinery and equipment domestic investment during the 1950's was about six fifteen percent of gross national product in the United States, 13 twenty-five percent in West Germany, 11 percent in Holland, nine percent between nineteen and twenty-six percent in other major industrial Western European countries, and 13 twenty-eight percent in Japan.

Growth rates -- in terms of Gross National Product -- followed the same pattern: less than 3.5 percent for the United States, more than seven percent for West Germany, four to six percent for most the other major

~~industrial countries~~

the form of an across-the-board tax credit for investment in new industrial equipment that we hope the Congress will approve next year.

This double incentive for American manufacturers to modernize thei equipment will put them once again on an equal basis with European industry, which has benefited for some time from liberal tax treatment as a stimulus to modernization. Modern machinery will make our goods more competitive with goods manufactured abroad by lowering our unit costs. This is important because, in recent years, our export prices for manufactured goods have been rising with a consequent worsening in our competitive position. For example, our export prices FOR MANUFACTURED Produc rose sixteen percent between 1953 and 1959, while prices of exports by most of our major foreign competitors remained the same or dropped. And -- a most import-ant lesson -- the success of Japan, Italy, France, and West Germany in stabilizing export prices was not the result of a slower rate of wage increase, but rather, of a faster rise in productivity.

devaluation.

Another move that should help to expand our exports is an import

change in tax policy: depreciation reform. This reform consists of t

steps:

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Today, with Federal revenues some 8,000 times larger than in Gallatin's time, the role of the Treasury has been vastly expanded, and it is once more inextricably involved in foreign affairs.

In Gallatin's day, our young republic's major problems centered around foreign trade. For trade, largely with Europe, was the life-blood of our growing nation. Our quarrels with England and France over the freedom of the seas threatened our very existence, and culmin in war with England in 1812. As Secretary of the Treasury, Gallatin was keenly interested in our export lifeline and, upon leaving Washing to serve in Paris and, later, in London, he devoted the major part of of his time and effort to negotiating treaties that would permit the

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Gallatin conceived of his role as Secretary of the Treasury in the broadest terms. To him fiscal policy and national policy were inseparable. Because of this belief and his formidable talents, Gallatin became one of Jefferson's closest advisors, and, with James Madison, played a major role in formulating national policy during Jefferson's Administration.

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It is largely to Gallatin that we owe our present system of appropriations, whereby Congress holds the Executive Branch closely accountable for expenditures. When Gallatin first took national office -- briefly, as a Senator in 1793 -- there was widespread preference for the English system of authorizing broad grants of funds, rather than detailed appropriations. At Gallatin's initiative, the Senate called upon the then Secretary of the Treasury, Alexander Hamilton, to furnish a detailed accounting of the domestic and foreign debt, as well as a summary of all disbursements and receipts since the Treasury's incepti

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For Release on Delivery

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SECRETARY OF THE TREASURY,
BEFORE THE ALBERT GALLATIN ASSOCIATES
OF NEW YORK UNIVERSITY
HOTEL PIERRE, NEW YORK CITY
WEDNESDAY, NOVEMBER 8, 1961, ~~6~~ 7:30 P.M.

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TREASURY DEPARTMENT
Washington

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Although Hamilton chose to ignore this request, Gallatin persisted. Two years later, as a member of the House, he introduced a resolution calling for a "committee to superintend the general operation of finance". His resolution passed, and he became one of the first members of what is now the standing Committee on Ways and Means of the House, one of the most powerful arms of the Congress. Finally, in 1800, Gallatin's concept prevailed and a law was adopted requiring the Secretary of the Treasury to lay before Congress a detailed estimate of receipts and expenditures at the beginning of each session.

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In this day of big budgets it is refreshing to read Gallatin's first report. His revenue estimate for 1802 was $10,600,000. As for expenditures, one-third, or $3,500,000, was divided as follows: $1,420,000 for the Army, $1,100,000 for the Navy -- and a mere $980,000 for all other government expenditures! Two-thirds of the total, or $7,100,000, was earmarked to retire and pay interest on the public debt.

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This year, the deficit in our balance of payments will be considerably less than in 1959 and 1960. But this should not make us complacent. For we simply cannot afford continuing payments deficits. We must bring our international balance sheet into equilibrium. The surest and best way of accomplishing this is by increasing our merchandise trade surplus -- in other words, by expanding our commercial exports. We cannot expand them unless we give our exporters equality with their foreign competitors.

Two substantial moves in this direction were taken very recently: the establishment of a new line of export credit insurance, and a substantial improvement in the Export-Import Bank's system of guaranteeing commercial bank loans to exporters.

Both of these actions enlisted the support of our banks and insurance companies, which will make the loans and handle the insurance through their local offices. The Export-Import Bank will, in turn, fully guarantee these private insurers and lenders against the political risks of doing business abroad. At the outset, the Export-Import Bank will also share with the casualty companies the business credit risk covered by their insurance policies. But, as they gain experience in this new field, it is our hope that the insurance companies will gradually take over the entire business risk of individual export credits -- leaving to Government only the risks they cannot cover themselves, such as war, revolution, currency inconvertibility, or devaluation.

Another move that should help to expand our exports is an important change in tax policy: depreciation reform. This reform consists of two steps:

First, a realistic and modernized set of depreciation schedules for productive equipment, taking into account recent technological advances. Our studies in this area have already resulted in a forty percent reduction from twenty-five to fifteen years in the Internal Revenue Service's guidelines for the depreciation "lives" of equipment utilized in the textile industry. We anticipate that these studies will justify substantial changes for other industries when they are completed this Winter or next Spring.

That reform, helpful though it will be, will not of itself put American producers on an equal footing with their European competitors. Therefore, we are proposing a second step in the form of an across-the-board tax credit for investment in new industrial equipment that we hope the Congress will approve next year.

This double incentive for American manufacturers to modernize their equipment will put them once again on an equal basis with European industry, which has benefited for some time from liberal tax treatment as a stimulus to modernization. Modern machinery will make our goods more competitive with goods manufactured abroad by lowering our unit costs. This is important because, in recent years, our export prices for manufactured goods have been rising with a consequent worsening in our competitive position. For example, our export prices for manufactured products rose sixteen percent between 1953 and 1959, while prices of exports by most of our major foreign competitors remained the same or dropped. And -- a most important lesson -- the success of Japan, Italy, France, and West Germany in stabilizing export prices was not the result of a slower rate of wage increase, but rather, of a faster rise in productivity.

Depreciation reform will also contribute to our domestic economy. Equipment modernization and greater investment will add momentum to our current recovery by stimulating the machine tool and allied industries and by providing more jobs. And it will increase our long-range growth potential by broadening our industrial base and by increasing our export markets.

A few figures illustrate the importance of domestic investment to long-term growth: the level of investment in machinery and equipment during the 1950's was about six percent of gross national product in the United States, 13 percent in West Germany, 11 percent in Holland, 9 percent in Italy, 8 percent in France, and 13 percent in Japan.

Growth rates -- in terms of Gross National Product -- followed the same pattern: less than 3.5 percent for the United States, more than 7 percent for West Germany, 4 to 6 percent for most other major industrial countries in Western Europe, and, for the last half of the decade, more than 9 percent for Japan.

Meanwhile, the economy of the Soviet Union has been growing at a rate of 6 to 6.5 percent. While there is no comfort in the fact that the Soviet growth rate during the past decade has been almost double our own, we should not permit it to delude or to overawe us.

We are all familiar with the constant and repetitious Soviet boasts of "overtaking and surpassing" us, which were recently restated in even more grandiose terms by Chairman Khrushchev to the 22nd Communist party Congress in Moscow. I would like to comment briefly on those claims:

Soviet economic planning has but one over-all objective: to increase the power and prestige of the Soviet state. This aim takes complete precedence over the aspirations of the Soviet people for a better life.

Take one important example -- housing -- and see how it has developed during the current Seven-Year Plan, which began only two years ago: In his October 17 speech, Mr. Khrushchev himself admitted that his planners had underestimated the growth of the urban population by at least fifteen million persons. Despite this increased need,however, housing construction fell short of even the original goal by eighteen percent last year, and by twenty-five percent in the first nine months of this year. No wonder -- as Mr. Khrushchev said in the same speech -- "the housing problem remains very acute."

Soviet agriculture also has regularly fallen short of its goals. Mr. Khrushchev's boast in 1957 that the Soviet Union would surpass the United States in the per capita production of meat by 1961 has not been fulfilled, and Soviet meat production is still only one-third of our own. No wonder it is no longer mentioned in Moscow.

Soviet claims in heavy industry also require careful analysis. For example, while Soviet gains in steel production have been impressive, steel utilization in the Soviet Union is, by our standards, extremely wasteful. This uneconomical use of steel has to be taken into account in any true comparison of steel production figures, for the Soviets require far more steel than we do to achieve the same end results.

Then there is the matter of automobiles: In 1960, we sold to our consumers as many cars in an average week as the Soviets produced in the entire year.

All this does not mean that the Soviet Union is not making progress in the economic field. But it does mean that all is far from perfect in the Soviet economic system. Not only does Soviet growth spring from a base less than half our own, but it remains focused on heavy industry, which milks the economy at the expense of Soviet agriculture and the Soviet consumer.

Moreover, the Soviet Union has no monopoly on economic growth. A number of free world countries are growing faster -- and in their case, economic growth is in far better balance. In terms of total output -- GNP -- for the years 1953-1960, here are some free world growth rates: Mexico, 6.5 percent; Austria, 6.7; Japan, 7.0; West Germany, 7.1; and Venezuela, 7.3. All of them surpass the Soviet rate of 6 to 6-1/2 percent.

In terms of industrial output, the chosen field of Soviet rulers, the same period saw at least half a dozen free world countries exceed the estimated 8-8.5 percent annual increase of the Soviet Union. These were West Germany and Greece, with 8.7 percent; Italy, with 8.9 percent; Brazil and Venezuela with 11 percent, and Japan with 15.3 percent.

Both the Soviet growth rate and the even more rapid growth of our friends and allies should make us conscious of our own rate of economic growth and the need to increase it. That need would exist even if the Soviet Union did not. It is a need that grows out of the expanding desire of our citizens for a better life -- as well as the crying needs of less privileged peoples in developing areas of the world who lack the means to help themselves, and who look to us for aid. We have tremendous economic potential in this country. We cannot afford to run our economy at slow speed -- to have four to five million workers unemployed -- and to have the human misery and economic waste that such high unemployment represents.

Our goal is rapid economic growth, accompanied by full employment and a stable price level. A major stumbling block in our way is the threat of inflation posed by the wage-price spiral. That is why the Administration holds -- and why I repeat here tonight -- that it is of utmost importance for both management and labor to exercise self-restraint in price and wage increases. Impetuous action in the hope of short-term gains could stall our recovery at home, price our goods out of foreign markets; destroy the economic gains we have already made, and cancel out those we hope to make in the future.

Our economy is doing well. We feel that we have the tools and the knowledge to minimize -- and perhaps to eliminate -- the danger of drastic downturns. Government policy is oriented to the stimulation of sound recovery and to the promotion of long-term growth. But the major stimulus must come, not from Government, but from the private sector of our economy. Profits based on inflationary price and wage increases that exceed productivity serve neither the public nor the private interest. This is a matter of patriotism -- a matter of self-sacrifice -- and also a matter of eminent good sense. It calls for putting aside immediate but phantom gains in favor of solid long term growth and stability.

However, even with stable prices, high productivity, and an aggressive campaign to promote exports, we will not succeed if we do not maintain our access to the thriving markets of Europe. Thus, the very same problem that faced our Nation in Gallatin's era is with us again today.

With the emergence of the European Common Market, in which Great Britain has now requested membership, we face the probability of a new and united trading unit of some 300 million people. If we are to prosper, if we are to earn the foreign exchange we must have to purchase raw materials needed by our industry, we must sell our industrial products in Europe. That means that we must have a firm basis for negotiating with our European friends to remove tariff barriers against our products. It will involve authority for the President to negotiate with the Common Market for reciprocal, across-the board reductions in industrial tariffs, with their eventual elimination as our goal. We will also have to devise new techniques to preserve our agricultural markets, and to see to it that our friends in the developing countries obtain markets for their raw materials and light industries. In essence, we must revolutionize our reciprocal trade legislation so that we can compete and prosper in the trading world of tomorrow.

I cannot conclude here tonight without paying tribute to Albert Gallatin's abiding interest in education. This interest was first manifested in 1790 when he fought in the Pennsylvania legislature to improve the schools of that great Commonwealth. It culminated in his great contribution to the founding of New York University, which has given so much to the community and to the Nation.

Once again -- as in Gallatin's time -- we are engaged in a great struggle to improve our educational system. I need not tell you of the social importance of education. But I would like to stress its economic importance. We are striving for increasing productivity through technological advances. As technology progresses, we will need to increase the number of our skilled workers, as well as their degrees of skill. Improved education will lead to increased productivity through better technology, better systems of production, and more efficient distribution. We cannot hope to achieve our maximum potential growth so long as more than half of our most talented high school students do not go on to college, and so long as per-pupil expenditures in the states that spend the most for education are double those of the states that spend the least.

To meet these needs we must marshal our efforts and our resources -- be they private, community, state, or federal. We must stop quarrelling over methods and find solutions that will give us the educational system -- second to none -- that we must have if we are to succeed in the great tasks that face our Nation, if we are to fulfill America's shining promise, if we are to be worthy of the high ideals that inspired Albert Gallatin throughout his lifetime of service to freedom and democracy.

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 17, 1961, (91 days remaining until maturity date on February 15, 1962) 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 November 16, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 16, 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~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

November 8, 1961

FOR IMMEDIATE RELEASE ~~XXXXXXXX~~

~~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 $ 1,700,000,000 ~~(2)~~, or thereabouts, for cash and in exchange for Treasury bills maturing November 16, 1961 ~~(3)~~, in the amount of $ 1,701,665,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued November 16, 1961 ~~(6)~~, in the amount of $ 1,100,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated August 17, 1961 ~~(8)~~, and to mature February 15, 1962 ~~(9)~~, originally issued in the amount of $ 600,027,000 ~~(10)~~, the additional and original bills to be freely interchangeable.

182 ~~(11)~~ -day bills, for $ 600,000,000 ~~(12)~~, or thereabouts, to be dated November 16, 1961 ~~(13)~~, and to mature May 17, 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 Standard time, Monday, November 13, 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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WASHINGTON, D.C.

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

D-289

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

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COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1961, to Nov. 6, 1961	Established 33-1/3% of Total Quota	Imports Sept. 20, 1961, to Nov. 6, 1961 1/
United Kingdom	4,323,457	1,372,900	1,441,152	1,307,960
Canada	239,690	239,690	-	-
France	227,420	75,807	75,807	75,807
British India	69,627	69,627	-	-
Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	-	12,853	-
Japan	341,535	150,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	34,462	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	2,007,252	1,599,886	1,442,503

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-290

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, 1961 - November 6, 1961

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	779,456	Honduras	752	-
Peru	247,952	-	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	-
Brazil	618,723	618,723	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, 1961 - November 6, 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	461,020
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-290

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, 1961 - November 6, 1961

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	779,456	Honduras	752	-
Peru	247,952	-	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	-
Brazil	618,723	618,723	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, 1961 - November 6, 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	461,020
1-1/8" or more and under		

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1961, to Nov. 6, 1961	Established 33-1/3% of Total Quota	Imports Sept. 20, 1961, to Nov. 6, 1961 1/
United Kingdom	4,323,457	1,372,900	1,441,152	1,307,960
Canada	239,690	239,690	-	-
France	227,420	75,807	75,807	75,807
British India	69,627	69,627	-	-
Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	-	12,853	-
Japan	341,535	150,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	34,462	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	2,007,252	1,599,886	1,442,503

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 28, 196
Absolute Quotas:				
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...	12 mos. from Aug. 1, 1961	1,709,000	Pound	476,455*
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	18,578,240*
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	551,150*
	Nov. 1, 1961-Jan. 31, 1962			
	Argentina	5,525,000	Pound	-
	Paraguay	741,000	Pound	630*
	Other Countries	234,000	Pound	-

* Imports through November 6, 1961.
**Imports through October 31, 1961.

TREASURY DEPARTMENT
Washington

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IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-291

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 October 28, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 28, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	271
Whole milk, fresh or sour........	Calendar Year	3,000,000	Gallon	128
Cattle, 700 lbs. or more each (other than dairy cows).........	Oct. 1, 1961-Dec. 31, 1961	120,000	Head	13,758
Cattle less than 200 lbs. each...	12 mos. from April 1, 1961	200,000	Head	30,799
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.........	Calendar Year	32,600,645	Pound	Quota Filled
Tuna fish........................	Calendar Year	57,114,714	Pound	45,545,956
White or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	450
Other...........................	Sept. 15, 1961	36,000,000	Pound	228,098
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

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-291

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Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 28, 196
Absolute Quotas:				
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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	18,578,240*
	Paraguay	2,230,313	Pound	Quota Filled
	Other Countries	711,188	Pound	551,150*
	Nov. 1, 1961-Jan. 31, 1962			
	Argentina	5,525,000	Pound	-
	Paraguay	741,000	Pound	630*
	Other Countries	234,000	Pound	-

* Imports through November 6, 1961.
**Imports through October 31, 1961.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961 D-292

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to October 28, 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 Oct. 28, 1961
Buttons.............	765,000	Gross	196,202
Cigars..............	180,000,000	Number	5,782,260
Coconut oil.........	403,200,000	Pound	120,024,777
Cordage.............	6,000,000	Pound	4,015,562
Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, NOVEMBER 9, 1961 D-292

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Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-293

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

QUARTERLY QUOTA PERIOD - October 1, 1961 - December 31, 1961

IMPORTS - October 1, 1961 - November 3, 1961 (or as noted)

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	7,218,087*	23,680,000	5,881,693	-		-	-
Belgian Congo	-	-	-	-	-		5,440,000	1,322,784*
Belgium and Luxemburg (total)	-	-	-	-	-		7,520,000	5,235,248*
Bolivia	5,040,000	3,531,456*	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	10,798,645*	66,480,000	21,328,420	37,840,000	18,951,379
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	17,081,883	70,480,000	26,334,048	6,320,000	1,401,816
Peru	16,160,000	8,050,067	12,880,000	2,849,666	35,120,000	17,417,147	3,760,000	101,095
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	3,506,449*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,254,693*	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of November 6

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, NOVEMBER 9, 1961

D-293

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

QUARTERLY QUOTA PERIOD - October 1, 1961 - December 31, 1961

IMPORTS - October 1, 1961 - November 3, 1961 (or as noted)

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	7,218,087*	23,680,000	5,881,693	-		-	-
Belgian Congo	-	-	-	-	-		5,440,000	1,322,784*
Belgium and Luxemburg (total)	-	-	-	-	-		7,520,000	5,235,248*
Bolivia	5,040,000	3,531,456*	-	-	-		-	-
Canada	13,440,000	13,440,000	15,920,000	10,798,645*	66,480,000	21,328,420	37,840,000	18,951,379
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	17,081,383	70,480,000	26,334,048	6,320,000	1,401,816
Peru	16,160,000	8,050,067	12,880,000	2,849,666	35,120,000	17,417,147	3,760,000	101,095
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	3,506,449*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,254,693*	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of November 6

FOR RELEASE A. M. NEWSPAPERS,
Friday, November 10, 1961.

November 9, 1961

RESULTS OF OFFERING OF $800,000,000 STRIP OF TREASURY BILLS

The Treasury Department announced last evening that tenders for additional amoun of eight series of Treasury bills to an aggregate amount of $800,000,000, or thereabo to be issued November 15, 1961, which were offered on November 2, were opened at the Federal Reserve Banks on November 9. The amount of accepted tenders will be equally vided among the eight regular weekly issues of outstanding Treasury bills maturing De ber 7, 1961, to January 25, 1962, inclusive. The details of the offering are as foll

Total applied for - $1,519,424,000
Total accepted - 800,136,000 (includes $8,984,000 entered on a noncompetitive and accepted in full at the average price shown

RANGE OF ACCEPTED COMPETITIVE BIDS:	Price	Approximate equivalent annual rate of discount based 46.5 days (average number of days to maturity)
High	99.719	2.175%
Low	99.700	2.323%
Average	99.706	2.277% 1/

79 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	$ 24,640,000	$ 7,968,000
New York	1,098,448,000	603,648,000
Philadelphia	11,080,000	11,080,000
Cleveland	14,584,000	13,744,000
Richmond	1,168,000	1,168,000
Atlanta	5,392,000	3,792,000
Chicago	274,552,000	108,384,000
St. Louis	2,352,000	2,184,000
Minneapolis	11,880,000	5,680,000
Kansas City	2,384,000	2,384,000
Dallas	944,000	944,000
San Francisco	72,000,000	39,160,000
TOTAL	$1,519,424,000	$800,136,000

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 2.31%. Intere 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, yie on certificates, notes, and bonds are computed in terms of interest on the amount vested, and relate the number of days remaining in an interest payment period to t actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

Mm W.T.H.-

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Friday, November 10, 1961.

November 9, 1961

RESULTS OF OFFERING OF $800,000,000 STRIP OF TREASURY BILLS

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

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Richmond	1,168,000	1,168,000
Atlanta	5,392,000	3,792,000
Chicago	274,552,000	108,384,000
St. Louis	2,352,000	2,184,000
Minneapolis	11,880,000	5,680,000
Kansas City	2,384,000	2,384,000
Dallas	944,000	944,000
San Francisco	72,000,000	39,160,000
TOTAL	$1,519,424,000	$800,136,000

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 2.31%. 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.

November 13, 1961

FOR IMMEDIATE RELEASE

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $6,447 million of the $6,963 million Treasury bonds maturing November 15 have been exchanged for the three issues included in the current exchange offering. Exchanges include about $3,589 million for the new 15-month 3-1/4 percent notes, $2,345 million for the 3-3/4 percent bonds of 1966 (additional issue) and $513 million for the 3-7/8 percent bonds of 1974 (additional issue). About $516 million of the bonds maturing November 15 have not been reported as exchanged, and except for any additional subscriptions in transit as of the close of business, November 10, will be presented for cash redemption.

Subscriptions reported above include $4 million by Government investment accounts to the 3-3/4% Bonds of 1966, and $136 million to the 3-7/8% Bonds of 1974.

Details by Federal Reserve Districts as to subscriptions will be announced later this week.

D-295

November 13, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, November 14, 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 August 17, 1961 and the other series to be dated November 16, 1961, which were offered on November 8, were opened at the Federal Reserve Banks on November 13. 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 February 15, 1962		:	182-day Treasury bills maturing May 17, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.372 a/	2.484%	:	98.638 b/	2.694%
Low	99.361	2.528%	:	98.614	2.742%
Average	99.364	2.516% 1/	:	98.624	2.721% 1/

a/ Excepting three tenders totaling $350,000; b/ Excepting two tenders totaling $2
63 percent of the amount of 91-day bills bid for at the low price was accepted
2 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 47,453,000	$ 16,981,000	:	$ 8,027,000	$ 7,927,000
New York	1,571,915,000	753,437,000	:	869,854,000	440,234,000
Philadelphia	29,159,000	13,852,000	:	7,373,000	2,373,000
Cleveland	64,013,000	45,700,000	:	40,590,000	36,590,000
Richmond	30,070,000	15,961,000	:	2,543,000	2,543,000
Atlanta	24,704,000	21,754,000	:	8,290,000	8,290,000
Chicago	233,756,000	100,142,000	:	96,750,000	44,810,000
St. Louis	27,564,000	19,964,000	:	8,005,000	7,005,000
Minneapolis	28,867,000	17,997,000	:	6,743,000	4,143,000
Kansas City	47,078,000	26,743,000	:	14,413,000	14,315,000
Dallas	22,725,000	20,022,000	:	5,475,000	5,475,000
San Francisco	96,617,000	47,599,000	:	28,716,000	26,300,000
TOTALS	$2,223,921,000	$1,100,152,000 c/		$1,096,779,000	$600,005,000 d/

c/ Includes $257,511,000 noncompetitive tenders accepted at the average price of 99.364
d/ Includes $60,978,000 noncompetitive tenders accepted at the average price of 98.624
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.

D-291

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 13, 1961

RELEASE A. M. NEWSPAPERS, Tuesday, November 14, 1961.

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[RANG]E OF ACCEPTED [COMP]ETITIVE BIDS:	91-day Treasury bills maturing February 15, 1962		182-day Treasury bills maturing May 17, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.372 a/	2.484%	98.638 b/	2.694%
Low	99.361	2.528%	98.614	2.742%
Average	99.364	2.516% 1/	98.624	2.721% 1/

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

[TOTA]L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

[Di]strict	Applied For	Accepted	Applied For	Accepted
[Bo]ston	$ 47,453,000	$ 16,981,000	$ 8,027,000	$ 7,927,000
[Ne]w York	1,571,915,000	753,437,000	869,854,000	440,234,000
[Ph]iladelphia	29,159,000	13,852,000	7,373,000	2,373,000
[Cl]eveland	64,013,000	45,700,000	40,590,000	36,590,000
[Ri]chmond	30,070,000	15,961,000	2,543,000	2,543,000
[At]lanta	24,704,000	21,754,000	8,290,000	8,290,000
[Ch]icago	233,756,000	100,142,000	96,750,000	44,810,000
[St]. Louis	27,564,000	19,964,000	8,005,000	7,005,000
[Mi]nneapolis	28,867,000	17,997,000	6,743,000	4,143,000
[Ka]nsas City	47,078,000	26,743,000	14,413,000	14,315,000
[Da]llas	22,725,000	20,022,000	5,475,000	5,475,000
[Sa]n Francisco	96,617,000	47,599,000	28,716,000	26,300,000
TOTALS	$2,223,921,000	$1,100,152,000 c/	$1,096,779,000	$600,005,000 d/

[c/ I]ncludes $257,511,000 noncompetitive tenders accepted at the average price of 99.364
[d/ I]ncludes $60,978,000 noncompetitive tenders accepted at the average price of 98.624
[1/ O]n 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.

~~BKTAXXXMOBXFXKBX~~

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.

~~XXXXXXXXXXXXXXXX~~

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 August 24, 1961 (17), (91 (18) days remaining until maturity date on February 23, 1962 (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 November 24, 1961 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 24, 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, ~~X:00 P.M.~~ November 15, 1961

~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ ~~(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 $ 1,700,000,000 ~~(2)~~, or thereabouts, for cash and in exchange for Treasury bills maturing November 24, 1961 ~~(3)~~, in the amount of $ 1,701,049,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued November 24, 1961 ~~(6)~~, in the amount of $ 1,100,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated August 24, 1961 ~~(8)~~, and to mature February 23, 1962 ~~(9)~~, originally issued in the amount of $ 600,092,000 ~~(10)~~, the additional and original bills to be freely interchangeable.

181 ~~(11)~~ -day bills, for $ 600,000,000 ~~(12)~~, or thereabouts, to be dated November 24, 1961 ~~(13)~~, and to mature May 24, 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 Standard time, Monday, November 20, 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

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 15, 1961

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91-day bills (to maturity date) to be issued November 24, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated August 24, 1961, and to mature February 23, 1962, originally issued in the amount of $ 600,092,000, the additional and original bills to be freely interchangeable.

181-day bills, for $600,000,000, or thereabouts, to be dated November 24, 1961, and to mature May 24, 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).

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 24, 1961, (91-days remaining until maturity date on February 23, 1962) 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 November 24, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 24, 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.

oOo

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 October:

Purchases	$50,633,000.00
Sales	13,836,000.00
Net Purchases	36,797,000.00

TREASURY DEPARTMENT

WASHINGTON, D.C.

~~October 11, 1961~~
Nov. 15, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~SEPTEMBER~~ OCTOBER

During ~~September~~ October 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 ~~$25,114,650~~. $36,797,000

oOo

D-298
~~D-257~~

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 15, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN OCTOBER

During October 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 $36,797,000

oOo

D-298

November 15, 1961

FOR IMMEDIATE RELEASE

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The Treasury Department announced today the results of the current exchange offering of

3-1/4% notes dated November 15, 1961, maturing February 15, 1963,
3-3/4% bonds (add'l issue) dated November 15, 1960, maturing May 15, 1966, and
3-7/8% bonds of 1974 (add'l issue) dated December 2, 1957, maturing November 15, 19

open to holders of $6,963 million of 2-1/2% bonds of 1961, maturing November 15, 1961. Total subscriptions amount to $6,542 million, leaving $421 million of the maturing bonds for cash redemption. Amounts exchanged were divided among the Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	3-1/4% Notes Series E-1963	3-3/4% Bonds of 1966	3-7/8% Bonds of 1974
Boston	$ 114,577,000	$ 124,512,000	$ 4,454,000
New York	1,737,673,000	1,048,661,500	430,644,500
Philadelphia	79,881,000	52,664,000	4,840,500
Cleveland	132,037,000	116,858,000	3,955,000
Richmond	48,050,000	38,535,000	3,162,500
Atlanta	139,734,000	45,566,000	1,803,000
Chicago	477,894,000	382,834,500	31,574,500
St. Louis	171,255,000	80,486,000	5,766,500
Minneapolis	56,484,000	84,117,500	1,976,500
Kansas City	113,106,000	102,038,500	8,960,000
Dallas	95,339,000	74,122,000	2,531,500
San Francisco	459,999,000	226,831,500	16,623,500
Treasury	15,647,000	5,752,500	1,076,000
Total	$3,641,676,000	$2,382,979,000	$517,368,000

Subscriptions reported above include $4 million by Government investment accounts to the 3-3/4% Bonds of 1966, and $136 million to the 3-7/8% Bonds of 1974.

D-29

TREASURY DEPARTMENT

WASHINGTON, D.C.
November 15, 1961

FOR IMMEDIATE RELEASE

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D-299

FOR RELEASE ON DELIVERY

REMARKS BY STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
AT THE WHITE HOUSE REGIONAL CONFERENCE
CLEVELAND, OHIO, 2:00 PM EST, WEDNESDAY,
NOVEMBER 15, 1961

Our Need for Economic Growth

Today our economy is moving strongly ahead on a broad front. Newspaper headlines tell of new gains in personal income, retail sales, corporate profits and employment. Equally important, there is firm evidence that this economic advance will continue. Business is planning increased outlays for new production equipment. New orders reaching manufacturers are at near record rates and still rising. Our total output is constantly hitting new highs, and there is every indication of increasing advance ahead.

Why then, am I here to talk to you about recovery and economic growth? The answer is simple. I am here to tell you what went into achieving our recovery, and what remains to be done to assure that our economic growth continues. And continue it must, if our nation is to meet the staggering responsibilities that it faces -- at home and abroad.

Let us look first at our recent progress.

At the beginning of this year we were in the midst of our fourth recession since the end of World War II. Unemployment was higher than it had been in almost 20 years. Our basic steel industry was operating at only about half its capacity, and short work-weeks and layoffs reflected idle plants and sagging markets in almost every other industry.

Government acted promptly to reinforce the natural recovery powers of our economy. The results were almost immediately apparent. Our gross national product -- the measure of our total national output -- rose dramatically. From a first quarter annual rate of $501 billion it climbed steadily to $526 billion in the third quarter and a fourth quarter in the neighborhood of $540 billion is in sight.

Despite this excellent recovery, unemployment has remained at unacceptably high levels. Employment last month was the highest for any October, and unemployment dropped to its lowest figure this year. But there are still almost four million unemployed -- 725,000 of them out of work for more than six months.

When we make allowances for seasonal changes, that leaves unemployment not far under seven percent of our labor force -- much too high to be tolerated. This reflects a distressing trend which has developed during the postwar period -- the persistence of ever higher levels of unemployment into the recovery period. Our present unemployment level of 6.8 percent has stubbornly refused to budge for eleven months now. We expect it to drop very soon, but throughout this year our economy has operated with four to five million people unemployed.

That's why we are here to talk to you today. The plain fact is that there is only one antidote for the human hardship and economic waste reflected in the unemployment figures -- and increase in our long-term rate of economic growth.

That is the crux of our present problem. While our rate of recovery has so far been excellent, we cannot expect such a rapid pace to continue indefinitely. What is important over the long haul, both in terms of developing our economic strength to meet domestic and foreign obligations and in reducing unemployment, is our long-term growth rate.

Despite this crucial need, we must openly face the fact that our long-term growth rate has been lagging. During the last part of the 1950s, for instance, it fell well below three percent.

President Kennedy has said that a growth rate of 4-1/2 percent is well within our capability. This is what we should aim at. It is certainly a realistic goal. Consider, for instance, our growth compared to that of other countries. During the fifties, when we were growing at an annual rate of less than 3-1/2 percent, most industrial countries of Western Europe were growing at between 4 and 6 percent, the Soviet Union was growing at better than six percent, West Germany better than 7 percent, and Japan, for the last half of the decade, was doing better than 9 percent.

The cost of our lagging rate of growth is a tremendous one in terms of the human misery represented by our high rate of unemployment. It is also exacting a heavy cost in terms of lost profits, dividends, sales, wages and purchasing power. Early this year the President's Council of Economic Advisers estimated our economy was running $50 billion below what it is readily capable of producing.

There is no question, then, that we need to increase our growth rate, and that we are capable of doing so. The question is, how are we going to do it?

There are a number of ways to increase our long-term growth. We contribute to long-term growth when we provide facilities to retrain our unemployed so they can find productive work, when we improve the education of our children so they are equipped to contribute more to our society, when we improve health facilities, when we increase the pace and scope of research, and when we accelerate the development of our natural resources. Monetary and fiscal policies are also important, to avoid the danger of inflation.

All these and many more factors will contribute to our long-term growth, but one opportunity deserves special attention -- the need to increase our productive efficiency by modernizing our industrial machinery and equipment. Our tax policy is intended to do just that.

Through this policy of using modernization to expand growth we hope to make advancing technology a blessing instead of a curse. One of our critical needs today is to expand our exports, to eliminate the international balance of payments deficit which yearly drains billions of dollars from this country and depletes our gold stocks. To permit our industry to compete more efficiently against foreign producers, who have been modernizing more rapidly than we have, our tax policy is designed to encourage modernization of our productive facilities. This policy -- which we call depreciation reform -- includes both a tax credit for investment in new equipment and revised depreciation rules to conform with advances in technology. As our industry modernizes, quality will improve, unit cost will drop, and our manufacturers will gain a larger share of export markets. These new export markets will put idle plant capacity -- and more important, idle workers -- back into action. At the same time, this investment will strengthen the recovery and contribute to our long-term growth. Certainly there is room for expansion. As Secretary Hodges pointed out recently, at present there are only 12,000 American firms actively engaged in exporting, and the United States, as the World's major industrial power, exports the lowest percentage of its output of any industrial nation.

But there is another side to modern technology. While it offers the possibility of increased productivity, it also threatens dislocations in our economic structure which can create more unemployment and distress. Automation eliminated nearly a million jobs last year. At the very time automation is eliminating jobs, our labor force is growing rapidly. We expect an increase of 26 million workers over the next 10 years. Our problem is to take action to see that as we advance technologically, there are no pockets of stagnation left behind. We must cope with the problem of structural unemployment -- where workers are idle because there is no longer demand for their skills -- by creating a re-training program to teach new skills. We must improve our educational level as a nation, to increase the ability of new workers to adjust to future changes in the labor market, as well as to take advantage of opportunities to better themselves and become more productive members of society. Improved education will lead to improved research, to better technology, to more efficient production and distribution, and to a higher national output. Minority discrimination in the labor market is another area we must not neglect as we advance. Discrimination creates personal misery for those who have to suffer it. It wastes skills and potential in our labor force, and its elimination will advance our national interest economically as well as morally. Finally, there is the problem of our young people. Next year a million more will drop out of school. By 1971 more than seven million young workers will have entered the labor market without completing high school, and 2-1/2 million of those will not have completed grade school. In either human or economic terms, these are not happy figures. More rapid economic growth is a necessity if we are to prevent the American dream of opportunity from turning into a nightmare of despair for these young people. These problems will be discussed in the panel on Manpower and Automation.

In discussing recovery and growth, we must constantly remember that the problems we face are not merely economic, they are human problems. To emphasize this another panel will consider Safeguards Against Human Distress. Let us consider some of the gains made in recent months which help to alleviate human distress, which help to ensure that recovery and growth mean benefits for all of us:

-- temporary unemployment benefits were extended to cover those who had exhausted their existing benefits.

-- aid was extended to cover dependent children of the unemployed.

-- the minimum wage was increased and coverage extended to an additional three and a half million workers.

-- new laws were passed as steps toward coping with the problems of the migrant worker.

-- a new government order bans any racial or religious discrimination in hiring, not only in government, but also in firms working on government contracts.

-- the Area Redevelopment Act was passed to stimulate economic activities in distressed areas -- more than 800 of them -- and train and retrain workers in such areas.

-- new social security legislation was passed, increasing benefits for more than 4 million persons.

-- the Housing Act of 1961 was passed, providing for more slum clearance and urban renewal, more public housing and more FHA mortgage insurance.

-- the Juvenile Delinquency Act of 1961 was passed, providing $30 million over three years to prevent youth crime and help youngsters heading for trouble to become useful citizens.

-- the Interstate Commerce Commission issued new rules to end discrimination in bus terminals throughout the South.

Certainly there is more to be done. No one suggests that all these problems have been solved. Certainly there is need for greater aid to education, for a plan to help pay for medical care for the aged, for permanent legislation improving unemployment compensation, for better job opportunities for our youth, for further legislation to improve the pathetic lot of the migrant worker. All these steps will contribute not only to the alleviation of hardship and distress, but also to a healthier, more productive economy, where our human resources are utilized instead of wasted.

Another panel will deal with mobilizing local initiative, to avoid regional unemployment and to promote growth in all parts of our nation. While the Federal government has its responsibilities for economic growth and development, the fulfillment of our goals depends on what individual citizens, industries, and local governments do to promote growth and development on the community level. All the agencies of government -- State, Federal and local -- are involved, but the most important partner is the community itself. The principal initiative must develop there, and government can be of real help only to those communities which are actively working to help themselves. The Federal Government can merely provide "seed money" to give impetus to a broad program in which the total of private investment is many times the amount of the government portion. All communities -- both those in need of redevelopment and those with presently sound economies -- have a large stake in planning for the future.

Our fourth panel involves a broad survey of the economic issues involved in recovery and growth. This panel will consider the effect of fiscal policy on growth, the role of tax policy, and the relation of credit and monetary policy to domestic and international problems. Our balance of payments problems, our economic outlook for the future, and the possibility of inflation will also be discussed.

In summary, then, we are here to consider the key issue of growth. This year we have come from recession into strong recovery. We expect unemployment to begin dropping very soon, and to continue to drop as that recovery advances. We have come far, but much remains to be done if we are to achieve our goals of full employment and more rapid economic growth. Government cannot do the job alone. Real progress must involve the efforts of the people themselves.

That is why we are here today -- to examine where we have been, where we are, and to consider what still remains undone. We have come to hear your views, to answer your questions, and to discuss with you what steps we must take as a nation if we are to go forward in the future and reach the goals we have set for ourselves.

~~receipt of~~ individuals ~~subscriptions~~ to make the exchange is being allowed ~~because~~ in an effort to assure that all individual holders are aware of the exchange offerin

The 3 7/8's Treasury Bonds will constitute an additional amount of the $2,137 million of these bonds, first offered in June, 1960.

In the similar exchange offer made to holders of maturing F and G Savings Bonds late in 1959, 46 per cent of the F and G Bond holders elected to make the exchange. In 1960, 20 per cent made the exchange.

There was a relatively higher proportion of institutional holders of the F and G Bonds (maturing in 1960) ~~in 1959~~ compared with (those which matured in 19[illegible] ~~1960~~.

There are substantial instituational holdings of the F and G Bonds maturing in 1962, which were originally issued in 1950, and on which subscriptions of up to $1 million per holder were accepted.

Holders of some $970 million of Series F and G Savings Bonds which mature in 1962 will be offered an opportuni to exchange them, on favorable terms, for a marketable 3 7/8 % Treasury Bond maturing in 1968.

The exchange, third of its kind which has been offered by the Treasury since it discontinued issuance of new F and G bonds in 1952, is designed to give investors in these bonds an attractive opportunity to continue holding government securities.

The 3 7/8 % Treasury Bond is expected to meet the requirements of many F and G Bond investors for an intermediate term security with relatively little market risk.

The F and G Bonds will be exchanged for like amounts of the 3 7/8's Treasury Bond, with certain interest and other adjustments, which will make the effective yield on the marketable bond approximately 3.96 %.

The exchange will be made effective December 15. Subscription books will be open for all holders of the maturing F and G Bonds from November 20 through November 24.

D-300A

Individual holders, however, may submit their bonds for exchange through November 30. The additional times for

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 17, 1961

FOR IMMEDIATE RELEASE

EXCHANGE OFFERING TO HOLDERS OF SERIES F AND G SAVINGS BONDS MATURING IN 1962

Holders of some $970 million of Series F and G Savings Bonds which mature in 1962 will be offered an opportunity to exchange them, on favorable terms, for a marketable 3-7/8% Treasury Bond maturing in 1968.

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The 3-7/8% Treasury Bond is expected to meet the requirements of many F and G Bond investors for an intermediate term security with relatively little market risk.

The F and G Bonds will be exchanged for like amounts of the 3-7/8% Treasury Bond, with certain interest and other adjustments, which will make the effective yield on the marketable bond approximately 3.96%.

The exchange will be made effective December 15. Subscription books will be open for all holders of the maturing F and G Bonds from November 20 through November 24. Individual holders, however, may submit their bonds for exchange through November 30. The additional time for individuals to make the exchange is being allowed in an effort to assure that all individual holders are aware of the exchange offering. The delivery date for the 3-7/8% Bonds will be December 20, 1961.

The 3-7/8% Treasury Bonds will constitute an additional amount the $2,137 million of these bonds, first offered in June, 1960.

In a similar exchange offer made to holders of maturing F and G Savings Bonds late in 1959, 46 per cent of the F and G Bond holders elected to make the exchange. In 1960, 20 per cent made the exchange

There was a relatively higher proportion of institutional holder of the F and G Bonds maturing in 1960, compared with those which matured in 1961. There are substantial instituational holdings of th F and G Bonds maturing in 1962, which were originally issued in 1950, and on which subscriptions of up to $1 million per holder were accept

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D-300A

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 17, 1961

FOR IMMEDIATE RELEASE

EXCHANGE OFFERING TO HOLDERS OF SERIES F AND G
SAVINGS BONDS MATURING IN 1962

Holders of some $970 million of Series F and G Savings Bonds which mature in 1962 will be offered an opportunity to exchange them, on favorable terms, for a marketable 3-7/8% Treasury Bond maturing in 1968.

The exchange, third of its kind which has been offered by the Treasury since it discontinued issuance of new F and G bonds in 1952, is designed to give investors in these bonds an attractive opportunity to continue holding government securities.

The 3-7/8% Treasury Bond is expected to meet the requirements of many F and G Bond investors for an intermediate term security with relatively little market risk.

The F and G Bonds will be exchanged for like amounts of the 3-7/8% Treasury Bond, with certain interest and other adjustments, which will make the effective yield on the marketable bond approximately 3.96%.

The exchange will be made effective December 15. Subscription books will be open for all holders of the maturing F and G Bonds from November 20 through November 24. Individual holders, however, may submit their bonds for exchange through November 30. The additional time for individuals to make the exchange is being allowed in an effort to assure that all individual holders are aware of the exchange offering. The delivery date for the 3-7/8% Bonds will be December 20, 1961.

The 3-7/8% Treasury Bonds will constitute an additional amount of the $2,137 million of these bonds, first offered in June, 1960.

In a similar exchange offer made to holders of maturing F and G Savings Bonds late in 1959, 46 per cent of the F and G Bond holders elected to make the exchange. In 1960, 20 per cent made the exchange.

There was a relatively higher proportion of institutional holders of the F and G Bonds maturing in 1960, compared with those which matured in 1961. There are substantial instituational holdings of the F and G Bonds maturing in 1962, which were originally issued in 1950, and on which subscriptions of up to $1 million per holder were accepted.

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D-300A

TREASURY DEPARTMENT

WASHINGTON, D.C.

IMMEDIATE RELEASE, Friday, November 17, 1961.

The Treasury is offering to the holders of approximately $970 million of Series F and G Savings Bonds ISSUED in 1950, WHICH MATURE IN 1962, an opportunity to exchange them at their face amount, with certain interest and other adjustments as of December 15, 1961, for 3-7/8% Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968, to be issued at 99.50. These 3-7/8% Treasury Bonds will constitute an additional amount to the $2,137 million of such bonds now outstanding. Interest is payable on the bonds on May 15 and November 15.

The Series F and G bonds will be accepted in the exchange at amounts set forth in the offering circular for their respective months of maturity. THESE EXCHANGE VALUES ARE HIGHER THAN PRESENT REDEMPTION VALUES. THEY HAVE BEEN SET SO THAT HOLDERS OF SERIES F AND G BONDS WHO ELECT TO ACCEPT THIS EXCHANGE OFFER WILL RECEIVE, IN EFFECT, AN INVESTMENT YIELD OF APPROXIMATELY 1% PER ANNUM MORE THAN WOULD OTHERWISE ACCRUE FROM DECEMBER 15, 1961, TO THE MATURITY DATES OF THEIR BONDS, AND WILL RECEIVE AN INVESTMENT YIELD OF APPROXIMATELY 3.96% ON THE 3-7/8% MARKETABLE BONDS RECEIVED IN EXCHANGE FOR THE PERIOD FROM MATURITY DATES OF THEIR SERIES F AND G BONDS TO MAY 15, 1968.

THE SUBSCRIPTION BOOKS FOR EXCHANGES OF THE SERIES F AND G SAVINGS BONDS MATURING IN 1962 WILL BE OPEN FOR THE RECEIPT OF SUBSCRIPTIONS FROM ALL CLASSES OF SUBSCRIBERS DURING THE PERIOD FROM NOVEMBER 20 THROUGH NOVEMBER 24, 1961, AND IN ADDITION, SUBSCRIPTIONS MAY BE SUBMITTED BY INDIVIDUALS THROUGH NOVEMBER 30, 1961. For this purpose, individuals are defined as natural persons in their own right. Any subscription addressed to a Federal Reserve Bank or Branch, or to the Treasurer of the United States, and placed in the mail before midnight of the respective closing dates, accompanied by the Series F and G bonds maturing from January 1 through December 1, 1962, to be exchanged, together with any cash difference necessary to make up the next higher $500 multiple (the lowest denomination of the new bonds), will be considered timely.

The delivery date for the 3-7/8% Treasury Bonds of 1968 will be December 20, 1961. The bonds will be available in registered form, as well as bearer form. The Treasury bonds may be registered jointly in the names of two individuals, but not in the beneficiary form as in the case of savings bonds. However, unlike savings bonds, Treasury bonds registered jointly in two names require the signature of each owner to effect transfer or sale.

Exchanges of Series F and G Savings Bonds maturing in 1962, will be made on the basis of equal face amounts and will be allotted in full. Since holders of the Series F and G bonds will receive interest on the 3-7/8% Bonds of 1968 at the rate of 3-7/8% from November 15, 1961, interest adjustments will be made as follows: All subscribers will be charged accrued interest on the 3-7/8% Treasury Bonds from November 15, 1961, to December 15, 1961 ($0.32 per $100), and will be credited with the discount on the issue price of the bonds ($0.50 per $100).

The lowest denomination of the 3-7/8% Treasury Bonds of 1968 is $500. Holders of smaller denominations of Series F and G bonds may exchange them for the next higher multiple of $500 upon payment of any cash difference.

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The marketable 3-7/8% Treasury Bonds of 1968 are subject to fluctuations in prices at which they may be sold. Holders of Series F and G bonds, except bonds registered in the names of commercial banks in their own right (as distinguished from a representative or fiduciary capacity) desiring a security not subject to market fluctuations may exchange them at maturity for Series E or H bonds with interest at 3-3/4% if held to maturity.

Full details of this offering to holders of Series F and G bonds appear in the official circular being released at this time, and which will be available at banking institutions on November 20, 1961, or shortly thereafter. Holders may consult their local banks for further information after that time.

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UNITED STATES OF AMERICA

3-7/8 PERCENT TREASURY BONDS OF 1968

Dated June 23, 1960, with interest from December 15, 1961 Due May 15, 1968

Interest payable May 15 and November 15

ADDITIONAL ISSUE

1961
Department Circular No. 1072

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 17, 1961.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at 99.50 percent of their face value and accrued interest, for bonds of the United States, designated 3-7/8 percent Treasury Bonds of 1968, in exchange for a like face amount of United States Savings Bonds of Series F and G maturing in the calendar year 1962, which will be accepted at exchange values as provided in Section IV hereof. Holders of Series F and G bonds aggregating less than an even multiple of $500 maturity value (the lowest denomination of new bonds available) may exchange such bonds with payment of the difference in cash to make up the next higher $500 multiple. Interest on the bonds will be adjusted as of December 15, 1961, and an adjustment in favor of subscribers representing the discount from the face value of the bonds will be made as provided in Section IV hereof. The amount of the offering under this circular will be limited to the amount of securities, together with cash adjustments, tendered in exchange and accepted. The books will be open for the receipt of subscriptions for this issue from all classes of subscribers from November 20 through November 24, 1961, and in addition, subscriptions may be submitted by individuals through November 30, 1961. For this purpose individuals are defined as natural persons in their own right. Delivery of the new bonds will be made on December 20, 1961.

II. DESCRIPTION OF BONDS

1. The bonds now offered will be an addition to and will form a part of the 3-7/8 percent Treasury Bonds of 1968 issued pursuant to Department Circulars Nos. 1044, 1049 and 1064, dated June 8, 1960, August 1, 1960, and July 17, 1961, respectively, will be freely interchangeable therewith, and are identical in all respects therewith except that interest on the bonds to be issued under this circu will accrue from December 15, 1961. Subject to the provision for the accrual of interest from December 15, 1961, on the bonds now offered, the bonds are described in the following quotation from Department Circular No. 1044:

"1. The bonds will be dated June 23, 1960, and will bear interest from that date at the rate of 3-7/8 percent per annum, payable on a semiannual basis on November 15, 1960, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature May 15, 1968, and will not be subject to call for redemption prior to maturity.

"2. The income derived from the bonds is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

"3. The bonds will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

"4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

"5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D. C. Bankin

institutions generally, and paying agents eligible to process bonds under Treasury Department Circular No. 888, Revised, may submit exchange subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, and to allot less than the amount of bonds applied for; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment for the face amount of bonds allotted hereunder must be made on or before December 20, 1961, or on later allotment, and may be made only in a like face amount of United States Savings Bonds of Series F and Series G maturing from January 1 to December 1, 1962, inclusive, and any cash difference necessary to make up an even $500 multiple, which bonds and cash should accompany the subscription, together with the net amount, if any, to be collected from the subscriber as set forth in Tables 1 and 2 at the end of this circular. The Series F and G bonds will be accepted in the exchange at amounts set forth thereunder for their respective months of maturity. These exchange values are higher than present redemption values. They have been set so that holders of Series F and G bonds who elect to accept this exchange offer will receive, in effect, an investment yield approximately one percent per annum more than would otherwise accrue from December 15, 1961, to the maturity dates of their bonds, and will receive an investment yield of approximately 3.96 percent on the 3-7/8 percent marketable bonds received in exchange for the period from the maturity dates of their Series F and G bonds to May 15, 1968. All subscribers will be charged the interest from November 15, 1961, to December 15, 1961 ($0.32 per $100) on the bonds allotted. Other adjustments with respect to bonds

accepted in exchange will be made as set forth in Tables 1 and 2, which also show the net amounts to be collected from or paid to subscribers for each $100 (face amount) of bonds accepted in exchange.

(a) Series F bonds.--The exchange values of Series F bonds, the differences between such values and the offering price of the 3-7/8 percent bonds, the interest which will accrue on the new bonds and the total amounts to be collected from or paid to holders of Series F bonds per $100 (face amount) are as set forth in Table 1.

(b) Series G bonds.--The exchange values of Series G bonds, the differences between such values and the offering price of the 3-7/8 percent bonds, the accrued interest to be credited on the Series G bonds, the interest which will accrue on the new bonds and the total amounts to be collected from or paid to holders of Series G bonds per $100 (face amount) are as set forth in Table 2.

2. Any qualified depositary will be permitted to make payment by credit in its Treasury Tax and Loan Account for any cash payments authorized or required to be made under this circular for bonds 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.

3. Series F and G bonds tendered in exchange must bear appropriate requests for payment in accordance with the provisions of Treasury Department Circular No. 530, Eighth Revision, as amended, or the special endorsement provided for in Treasury Department Circular No. 888, Revised. In any case in which bonds in bearer form, or registered bonds in another name, are desired, requests for payment must be supplemented by specific instructions signed by the owner who signed the request for payment. An owner's instructions for bearer or registered bonds may be recorded on the surrendered bonds by typing or otherwise recording on the back thereof, or by changing the existing request for payment form to conform to one of

the two following forms:

(a) I am the owner of this bond and hereby request exchange for 3-7/8% Treasury Bonds of 1968 in bearer form to be delivered to (insert name and address of person to whom delivery is to be made).

(b) I am the owner of this bond and hereby request exchange for 3-7/8% Treasury Bonds of 1968 registered in the name of (insert exact registration desired - see Section V hereof).

V. REGISTRATION OF BONDS

1. Treasury bonds may be registered only as authorized in Treasury Department Circular No. 300, Revised, as supplemented. Registration in the name of one person payable on death to another is not authorized. Registered Treasury bonds may be transferred to a purchaser only upon proper assignment. Treasury bonds registered in the form "A or B" may be transferred only upon assignment by or on behalf of both, except that if one of them is deceased, an assignment by or on behalf of the survivor will be accepted. Since Treasury bonds are not redeemable before maturity at the option of the owners, the effects of registering them in the names of two or more persons are important. Information concerning the effects of various forms of registration may be obtained from any Federal Reserve Bank or Branch, the Office of the Treasurer of the United States, Washington, D. C., or from banking institutions generally.

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment

for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

ROBERT V. ROOSA,
Acting Secretary of the Treasury

TABLE 1 - For Series F Bonds

F bonds maturing in 1962 on the first day of -	Exchange values of F bonds per $100 (face amt.)	Charge or credit for differences between $99.50 (offering price per $100 of new bonds) and exchange values of F bonds		Interest Nov. 15 to Dec. 15, 1961 to be charged on new bonds per $100 (face amt.) of F bonds	1/ Total amounts per $100 (face amt.) of F bonds accepted		2/ Interest accruing per $100 on new bonds from Nov. 15, 1961 to maturity dates of F bonds in 1962
		Charge	Credit		3/ TO BE PAID TO SUBSCRIBERS (COL. 3 minus 4)	TO BE COLLECTED FROM SUBSCRIBERS (COL. 2 plus 4 minus 3)	
	COL. 1	COL. 2	COL. 3	COL. 4	COL. 5	COL. 6	COL. 7
January	$99.88	-	$0.38	$0.32	$0.06	-	$0.50
February	99.64	-	0.14	0.32	-	$0.18	0.83
March	99.40	$0.10	-	0.32	-	0.42	1.13
April	99.16	0.34	-	0.32	-	0.66	1.47
May	98.92	0.58	-	0.32	-	0.90	1.79
June	98.64	0.86	-	0.32	-	1.18	2.12
July	98.40	1.10	-	0.32	-	1.42	2.43
August	98.16	1.34	-	0.32	-	1.66	2.76
September	97.92	1.58	-	0.32	-	1.90	3.09
October	97.68	1.82	-	0.32	-	2.14	3.40
November	97.44	2.06	-	0.32	-	2.38	3.73
December	97.20	2.30	-	0.32	-	2.62	4.05

1/ In addition, for each $100, or multiple or fraction thereof, between the face amount of Series F bonds submitted and the face amount of bonds subscribed (to next higher multiple of $500) the subscriber must pay $99.82 ($99.50 issue price plus $0.32 accrued interest).

2/ Including $0.32 per $100 paid by subscriber as accrued interest from November 15, 1961, to December 15, 1961 (COL. 4). This data is included for information only.

3/ The net amount to be paid to subscribers will be paid following acceptance of the bonds by the agency through which the exchange is made.

TABLE 2 - For Series G Bonds

G bonds maturing in 1962 on the first day of -	Exchange values of G bonds per $100 (face amt.)	Credit for differences between $99.50 (offering price per $100 of new bonds) and exchange values of G bonds	Interest to be credited on G bonds per $100 (face amt.)	Interest Nov. 15 to Dec. 15, 1961 to be charged on new bonds per $100 (face amt.) of G bonds	1/ Total amounts per $100 (face amt.) of G bonds accepted		2/ Interest accruing per $100 on new bonds from Nov. 15, 1961 to maturity dates of G bonds in 1962
					3/ TO BE PAID TO SUBSCRIBERS (COLS. 2 plus 3 minus 4)	TO BE COLLECTED FROM SUBSCRIBERS (COLS. 4 minus 2 and 3)	
	COL. 1	COL. 2	COL. 3	COL. 4	COL. 5	COL. 6	COL. 7
January	$99.98	$0.48	$1.15	$0.32	$1.31	-	$0.50
February	99.94	0.44	0.94	0.32	1.06	-	0.83
March	99.90	0.40	0.73	0.32	0.81	-	1.13
April	99.86	0.36	0.52	0.32	0.56	-	1.47
May	99.82	0.32	0.31	0.32	0.31	-	1.79
June	99.79	0.29	0.10	0.32	0.07	-	2.12
July	99.76	0.26	4/	0.32	-	$0.16	2.43
August	99.71	0.21	0.94	0.32	0.83	-	2.76
September	99.68	0.18	0.73	0.32	0.59	-	3.09
October	99.64	0.14	0.52	0.32	0.34	-	3.40
November	99.60	0.10	0.31	0.32	0.09	-	3.73
December	99.56	0.06	0.10	0.32	-	0.16	4.05

1/ In addition, for each $100, or multiple thereof, between the face amount of Series G bonds submitted and the face amount of bonds subscribed (to next higher multiple of $500) the subscriber must pay $99.82 ($99.50 issue price plus $0.32 accrued interest).

2/ Including $0.32 per $100 paid by subscriber as accrued interest from November 15, 1961, to December 15, 1961 (COL.4). This data is included for information only.

3/ The net amount to be paid to subscribers will be paid following acceptance of the bonds by the agency through which the exchange is made.

4/ Interest will be paid to January 1, 1962, on bonds maturing July 1, 1962, in regular course on January 1, 1962, by checks mailed by the Treasury Department. As these checks will include unearned interest for the period from December 15, 1961, to January 1, 1962, each subscriber who tenders these bonds will be required to make an interest refund of $0.10 per $100 (face amount). The above amount of $0.16 in COL. 6 includes such refund.

FOR RELEASE ON DELIVERY

REMARKS BY ROBERT A WALLACE
SPECIAL ASSISTANT TO THE SECRETARY OF THE TREASURY
BEFORE THE LEGISLATIVE COMMITTEE LUNCHEON,
U. S. SAVINGS AND LOAN LEAGUE - CHICAGO, ILL.
NOVEMBER 18, 1961

I want to talk to you today about the Administration's tax policy, not just the part which affects you directly -- although I will get to that, too -- but about our entire tax program.

That program has two broad objectives: first, to make our tax laws fairer; and second, to make the tax system contribute more strongly and more consistently to our national objective of greater economic growth.

Fairness is an indispensable quality of a tax system in a democracy. The dangerous world in which we live makes inevitable a heavy tax burden for each of us. But, as taxpayers, we will more willingly face that burden if we believe that everyone else is paying his fair share, too.

In recent years, however, the American people have started wondering about their neighbors' tax bills -- as our tax law has become more and more laden down with preferential devices and special treatments for certain types of income.

There were good reasons for enactment of many of the special privileges in our tax law -- at the time they were first passed. But the moment has come now to take a fresh look -- to see whether exceptions and exemptions can still be justified in today's economy and today's world. In light of our growing revenue needs the time has also come to make sure we are collecting every dollar of every tax which is on the books. This is just what the Kennedy Administration is doing.

One of the prime examples of unfair treatment of different types of income is our failure to date to apply the withholding tax to dividends and interest just as it is applied to wages and salaries. I know that withholding on interest income will involve headaches for the Savings and Loan industry but I'm sure you all recognize the fairness of it.

In addition to fairness, however, we have another objective of tax policy: growth. The tax law, as it stands now provides too large incentives for certain kinds of business activity and too small ones for some others. Free-wheeling expense account deductions have unquestionably contributed to growth in the number of restaurants where it is possible to pay more than $100 for dinner for four. But is this the kind of growth we want?

The very complexities of our tax laws -- something this Administration also plans to change -- have produced enormous growth in the number of man-hours spent by highly trained lawyers and accountants in figuring out legal tax avoidance devices. Is this the best use of their skills?

It is not, and we all know it. Instead, our tax laws should be providing greater inducement for the kinds of undertakings which will mean production of real wealth for our people and real security for our nation. Primary among these are inducements for business to invest in new plants and modern production equipment. The Administration's tax program encompasses just such inducements -- through the proposed investment credit and administrative reform of depreciation schedules which is now under way.

We fully recognize, of course, the contribution the Savings and Loan industry is making, in ever-increasing volume toward achievement of one of our fundamental national goals -- good housing for every family. And good housing, like good education and expanded research, contributes to growth both in measurable terms in the short run and in incalcuable terms over the long run.

But would this contribution of your industry to desirable social and economic objectives really be seriously impaired if you were to pay higher taxes? Tax free operations were certainly appropriate when you were young -- and still unsteady on your feet. But must they continue?

Do your shareholders need the extra protection afforded by your 12 per cent tax free bad debt reserve? Your investments are sound and your accounts are insured.

The very fact that only an inconsequential number of Savings and Loan Associations have actually accumulated a 12 per cent reserve has caused some people to suggest that either the 12 per cent figure is unnecessarily high or else, since your reserves fall short of this figure, that you are guilty of irresponsibly poor management. It is the former, of course, in my opinion.

The Treasury has proposed that Congress re-examine the special tax exemption accorded the Savings and Loan industry with an eye toward achieving a closer relationship among the taxes borne by the various financial institutions. At the same time, however, it has asked Congress to view with particular care any possible adverse effects on the flow of funds into the housing market. Perhaps a solution to this problem would be to apply any new tax gradually.

I want to come back again, now, to the Administration's broad tax program. We are thinking not only of the tax proposals presently before Congress but also of those to come next spring when we will submit our comprehensive tax reform package -- which will include reductions in tax rates and closing of tax loopholes as inseparable opposite sides of the same coin.

Unless Congress will agree to eliminate many of the inequities in the present law there can be no rate reduction.

In tax law, of course, what looks like an unjustified special treatment to one man or business always looks like a vital necessity to some other man or business.

But some of the special privileges must be eliminated. And taxes now due the government under existing law must be collected in full.

A start must be made if our tax structure is ever to become fair and if it is ever to become the instrument for producing growth which a tax system in a free country must be.

That is what the pending tax bill is -- a start. If the scandalous entertainment expense deductions are not limited, if the enormous gap in unreported interest and dividend income is not closed, if no start at all is made this year -- then truly comprehensive tax reform and rate reduction may never come to pass.

I want to conclude with a special word of appreciation to the Savings and Loan industry and to the U. S. League for the straight-forward manner in which you have conducted your campaign against the tax proposals which directly affect you. The debate has sometimes been warm. But you have at all times confined your arguments to the substantive issues -- and that is the kind of opposition we welcome.

You in the Savings and Loan industry and I at the Treasury have been forced to agree to disagree on taxes. But I look forward to the day when we can once again -- as we have so many times in years past -- be making common cause.

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STATUTORY DEBT LIMITATION

As of October 31, 1961

Washington, Nov. 20, 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, 1961 (P. L. 87-69 87th Congress) provides that during the period beginning on July 1, 1961 and ending June 30, 1962, the above limitation ($285,000,000,000) shall be temporarily increased by $13,000,000,000.

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			$298,000,000,00
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$42,640,527,000		
Certificates of indebtedness	5,509,218,000		
Treasury notes	67,807,306,000	$115,957,051,000	
Bonds -			
Treasury	79,276,870,650		
*Savings (current redemption value)	47,743,055,292		
Depositary	156,798,500		
R. E. A. series	21,633,000		
Investment series	5,166,933,000	132,365,290,442	
Certificates of Indebtedness -			
Foreign series	450,000,000		
Foreign Currency series	46,285,000	496,285,000	
Special Funds -			
Certificates of indebtedness	6,134,564,000		
Treasury notes	7,538,084,000		
Treasury bonds	30,217,837,000	43,890,485,000	
Total interest-bearing		292,709,111,442	
Matured, interest-ceased		317,856,418	
Bearing no interest:			
United States Savings Stamps	50,338,430		
Excess profits tax refund bonds	745,983		
Special notes of the United States:			
Internat'l Monetary Fund series	2,060,000,000		
Internat'l Develop. Ass'n. series	57,652,200		
Inter-American Develop. Bank series	25,000,000	2,193,736,613	
Total		295,220,704,473	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	298,362,650		
Matured, interest-ceased	501,500	298,864,150	
Grand total outstanding			295,519,568,62
Balance face amount of obligations issuable under above authority			2,480,431,37

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

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

Outstanding -	
Total gross public debt	295,660,371,96
Guaranteed obligations not owned by the Treasury	298,864,15
Total gross public debt and guaranteed obligations	295,959,236,11
Deduct - other outstanding public debt obligations not subject to debt limitation	439,667,49
	295,519,568,62

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STATUTORY DEBT LIMITATION

As of October 31, 1961

Washington, Nov. 20, 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, 1961 (P. L. 87-69 87th Congress) provides that during the period beginning on July 1, 1961 and ending June 30, 1962, the above limitation ($285,000,000,000) shall be temporarily increased by $13,000,000,000.

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			$298,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$42,640,527,000		
Certificates of indebtedness	5,509,218,000		
Treasury notes	67,807,306,000	$115,957,051,000	
Bonds -			
Treasury	79,276,870,650		
*Savings (current redemption value)	47,743,055,292		
Depositary	156,798,500		
R. E. A. series	21,633,000		
Investment series	5,166,933,000	132,365,290,442	
Certificates of Indebtedness -			
Foreign series	450,000,000		
Foreign Currency series	46,285,000	496,285,000	
Special Funds -			
Certificates of indebtedness	6,134,564,000		
Treasury notes	7,538,084,000		
Treasury bonds	30,217,837,000	43,890,485,000	
Total interest-bearing		292,709,111,442	
Matured, interest-ceased		317,856,418	
Bearing no interest:			
United States Savings Stamps	50,338,430		
Excess profits tax refund bonds	745,983		
Special notes of the United States:			
Internat'l Monetary Fund series	2,060,000,000		
Internat'l Develop. Ass'n. series	57,652,200		
Inter-American Develop. Bank series	25,000,000	2,193,736,613	
Total		295,220,704,473	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	298,362,650		
Matured, interest-ceased	501,500	298,864,150	
Grand total outstanding			295,519,568,623
Balance face amount of obligations issuable under above authority			2,480,431,377

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

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

Outstanding -	
Total gross public debt	295,660,371,965
Guaranteed obligations not owned by the Treasury	298,864,150
Total gross public debt and guaranteed obligations	295,959,236,115
Deduct - other outstanding public debt obligations not subject to debt limitation	439,667,492
	295,519,568,623

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Mr. Daane joined the Treasury on leave from the Federal Reserve Bank of Minneapolis, where he held the position of Vice President and Economic Advisor. He has resigned from that position, effective November 20. He was previously associated with the Federal Reserve Bank of Richmond, Virginia.

~~Mr.~~ ¶ In his new assignment, Mr.
~~Frank W.~~ Morris, appointed September 25 as deputy to Mr. Daane, ~~will be named to the post of Assistant to the Secretary (Debt Management). He~~ will continue to aid in the coordination of plans and policies for debt management, including the work of the Office of Debt Analysis. He will also continue to assist in the organization of the newly established Office of Financial Analysis, until the Director of that office is appointed. Under Secretary Roosa said that he expected a director to be announced by the end of this year.

Mr. Morris, until his appointment last September, directed research activities for the Investment Bankers Association, with offices in Washington, D. C.

AS ASSISTANT TO
THE SECRETARY
(DEBT MANAGEMENT)

DRAFT - 11-17-61

327 November 17, 1961

FOR RELEASE AM NEWSPAPERS
MONDAY, NOVEMBER 20, 1961

DAANE NAMED DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS;
MORRIS BECOMES ASSISTANT TO THE SECRETARY (DEBT MANAGEMENT)

J. Dewey Daane has been appointed Deputy Under Secretary of the Treasury for Monetary Affairs, Robert V. Roosa, ~~Under Secretary for Monetary Affairs, and~~ Acting Treasury Secretary, OF THE announced today.

In his new capacity, Mr. Daane will act as a general deputy ~~[illegible]~~ to the Under Secretary for Monetary Affairs, ~~and will give~~ WITH particular ~~direction to~~ EMPHASIS ON the Office of Financial Analysis and ~~to~~ the Office of Domestic Gold and Silver Operations.

Mr. Daane has served as Assistant to the Secretary since July 18, 1960. ~~In March, 1961, Treasury Secretary Douglas Dillon announced that he had asked Mr. Daane to remain in that position.~~ HIS ~~Mr. Daane's~~ principal duties have been as advisor to the Under Secretary for Monetary Affairs, in all aspects of the latter official's responsibilities.

D- MR. ROOSA ALSO ANNOUNCED THE APPOINTMENT OF FRANK E MORRIS TO SUCCEED MR DAANE

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 17, 1961

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TREASURY DEPARTMENT 329

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We are here to discuss that course with you today. We have come to answer your questions, to hear your views, and to consider together what steps we must take to reach our goals. We are not here to lecture, but to learn. We want to know what you're thinking, and how you feel. We want every single good idea we can get hold of.

This is indeed a time of decision. We hold the shape of the future in our hands. The responsibility is ours -- yours and mine -- and I am sure we will meet it boldly.

Let us resolve now, that this will go down in history as the outset of a decade of decision, and not the beginning of a decade of default.

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international balance of payments, which have been depleting our gold stocks, without withdrawing our military outposts in various bases in the Free World and abandoning aid to the less developed countries, leaving them to unhindered economic penetration and subversion by the Communist bloc.*

Depreciation reform will also contribute to our domestic economy, by giving added strength to expansion, and by increasing our potential for long-term growth. It will contribute to expansion as new investment stimulates the machinery and allied industries and provides more jobs. There is a startling association between a healthy increase in the levels of such investment and vigorous and lengthy upswings in our economy. Increased investment in plant and equipment will also broaden our industrial base and help to expand our domestic markets. It is significant -- in considering the effect of such investment on long-term growth -- to note that Japan and West Germany, two nations which, as I mentioned, grew at more than twice our rate during the last decade, both spent more than twice as great a proportion of their output on investment in machinery and equipment during that time as did the United States.

To sum up, our recovery is healthy and strong. That gives us the time we need to take action to assure that the recovery continues, and that we move ahead into a period of more rapid economic expansion, in which we can realize our true potential.

Our task is to see that in this critical time we act with firmness and with wisdom.

This tax policy for increasing productivity and growth by depreciation reform has two aspects of great importance not only to business but to all of us.

The first is a realistic, up-to-date revision of depreciation rules for productive equipment, making allowance for recent advances in technology. Already there has been a 40 per cent reduction in Internal Revenue Service guidelines for depreciation of equipment in the textile industry. Other studies under way are expected to lead to substantial changes for other industries next year.

Second, to help put American manufacturers on an equal footing with foreign competitors, who have been modernizing more rapidly, and to encourage expansion where needed, we are proposing an across-the-board tax credit for investment in new industrial equipment -- a proposal we hope the Congress will pass into law in the next session.

This double incentive for American manufacturers to modernize or expand is designed to put them once again on an equal basis in that particular with European and Japanese industry, which has long benefited from liberal tax treatment on new plant and equipment as a stimulus to modernization. More modern machinery will cut costs and enable us to hold our own better against imports without restrictive trade practices that would invite retaliation and close off our access to some of our best markets. Moreover, it will enable us to gain a larger share of export markets.

This is important, first because our competitive position in those markets has been worsening recently with rises in prices of our export goods. Secondly, expanding our export trade is the best hope we have of eliminating our recent large deficits in our

But in recent years, at the very time when the United States has most needed to marshal its economic resources, our growth rate has been lagging. During the decade of the fifties, while we were growing at less than 3-1/2 per cent a year in terms of national output, Free Continental Europe was growing at nearly five per cent, the Soviet Union at better than six per cent, and West Germany and Japan at better than seven per cent.

And during the latter part of the fifties, our growth rate fell below three per cent. President Kennedy has said that a growth rate of 4-1/2 per cent is well within our capability. Given the increases in our labor force, and the expanded productivity we have a right to expect from our rich technology and better trained work force, it is certainly a realistic goal.

The programs I have mentioned, as they utilize the wasted resources of our economy, will help. There are, of course, many other ways in which Government policy may encourage growth. Fiscal and monetary policies, including our management of the public debt, have been conducted in such a fashion as to encourage low interest rates for long-term investment and to prevent excessively low short-term interest rates, which encourage capital flow to foreign countries with higher rates. This novel and somewhat difficult policy was designed to encourage long-term growth while improving our international balance of payments position.

Another area also deserves attention. This is our tax policy -- particularly as it is being directed toward increasing productive efficiency by encouraging modernization of machinery and equipment.

not find productive work for these young people, all of us can be sure to pay a high price, not only in economic waste, but in squandered individual and national potential, in crime, in misery, in frustration and in despair.

Many of these programs, particularly those in education and training, contribute directly to economic growth. All of them are necessary in a society which protects the human dignity of its citizens.

But new programs -- however necessary -- cost money, and this is one reason why economic growth is so important. It will provide increasing income out of current or lower tax rates for our continued progress in providing constructive and necessary services on a sound fiscal and budgetary basis.

Economic growth will enable the nation to meet its responsibilities for national security and needed Federal services with balanced budgets or surpluses rather than incur repeated deficits or sacrifice vital national interests.

So, a basic problem to be considered is how to achieve and maintain an adequate rate of growth. Our recovery is moving solidly ahead. It is expected to continue to advance next year. What must be done now is to take steps to promote our long-term growth in the years ahead. This growth is needed to meet our defense needs, our space needs, our foreign obligations, our employment needs and the educational, health, and community programs demanded by our citizens. This growth is needed for security and progress today. It may well be needed for survival tomorrow.

Our problem of growth, then, is not merely an economic problem - it is a profoundly human problem. This will be emphasized in today's fourth panel dealing with "Safeguards Against Human Distress." A number of Government actions I mentioned earlier alleviate human distress, such as extension of unemployment compensation, increasing minimum wage protection, improved housing, area redevelopment, extension of social security, and slum clearance. There have been others as well, such as new laws to improve the lot of the migrant worker, new Government orders banning racial or religious discrimination in hiring in government or in private firms under government contract, and the Juvenile Delinquency Act of 1961.

Much remains to be done. For example, the nation needs greater aid to education, worker re-training, a plan to help pay for medical care for the aged, permanent legislation improving our unemployment compensation laws, and legislation to improve job opportunities for our youth.

All of these were the subject of Administration proposals in the last Congress, and the need for them still exists. Only last week, for instance, President Kennedy appointed a committee to help young people find jobs, expressing once again his concern. Right now there are some 800,000 young people between 16 and 21 who are neither earning nor learning, and it is no surprise to learn that this is the group with the highest youth crime rate. Next year a million more will drop out of school. Some 26 million new workers will enter the labor market in the next 10 years, and seven million of these will not have completed high school. If our economy does and it is up to the people in the community -- with the help of local and state Government and other interested groups -- to marshal the private investment and initiative needed to complete the job.

A second type of unemployment, just as important as regional unemployment, can occur anywhere. This is "structural unemployment" people out of work because there is no longer any demand for their skills. It has been estimated that automation -- a major factor in structural unemployment -- eliminated jobs of nearly a million persons last year, many of them in middle age or beyond for whom learning a new trade or moving to a new area of opportunity is difficult. This problem will be discussed in the panel on "Adjusting to Automation." This concerns workers who may have spent years learning their jobs, when suddenly, because of technological advance, plant relocation or some other factor, their jobs are eliminated. We cannot ignore these jobless people, who represent a valuable economic resource. They have a right to expect society to give them a chance to use their energy and ability in productive employment. The Area Redevelopment Program provides facilities to re-train some of these workers, but it was not designed -- and cannot hope to meet -- the whole problem of structural unemployment which can occur anywhere at any time.

What is needed is a broad re-training program, such as the Manpower Development and Training Act submitted to the last session of Congress. This program is a must, not only for those presently unemployed, but to those who are likely to lose their jobs to machines as our technology continues to advance. The nation cannot afford the tremendous waste involved in chronic unemployment.

This is a fine recovery, but it shares an unhappy aspect of recent recoveries -- the increasing persistence of high levels of unemployment beyond the recession period.

Last month our seasonally adjusted unemployment rate was 6.8 per cent of our labor force, where it has been hovering for some eleven months. Even though last month more people were employed than in any other October on record, nevertheless, the latest figures show 3,900,000 people out of work -- 725,000 of them for more than six months.

Many of these people suffer from what might be called "regional unemployment" -- they are out of work because they live in an area of economic distress. While our economy has advanced greatly in over-all terms during the past few months, some areas have advanced faster than others which have lagged behind badly. It was to help these areas of lagging growth that the Area Redevelopment Act was passed. Already some 800 such areas have, at their request, been officially designated for federal assistance. This will be discussed in the panel on "Mobilizing Local Initiative." For while this act is designed to assure that our economic growth does not skip over certain areas of our nation, leaving pockets of economic stagnation in its wake, this is not a job which can or should be done by the Federal Government alone. The bulk of the responsibility, and the real potential for action, lies in the community itself, and the people who live there. The Federal Government can provide "seed capital," but this amount will necessarily be small in relation to the amount needed. It is intended to stimulate local investment, Previously planned defense construction and procurement were speeded up, as well as payments of income tax refunds, highway payments to states, and veterans' life insurance dividends. Unemployment compensation was extended temporarily to cover workers who had exhausted their benefits, and aid was expanded to cover dependent children of the unemployed. The minimum wage was raised, its coverage was expanded to millions more workers, and Social Security benefits were increased for millions of other people. The Housing Act of 1961 was passed, providing for more slum clearance and urban renewal, more FHA mortgage insurance, and more public housing. The Area Redevelopment Act was also passed, to train and re-train jobless workers and to stimulate economic activity in distressed areas.

Those and other Government actions, directly or indirectly, had the effect of increasing purchasing power, stimulating the growth of our economy, and providing more jobs. The response was prompt. Within a few months the economy was moving forward again.

The response of our domestic economy has continued to be gratifying. Between the first and third quarters of this year our total national output has risen from an annual rate of $501 billion of gross national product to $526 billion. This means our economy has surged ahead by about five per cent in only half a year -- an excellent record. Moreover, this has taken place in an atmosphere of relative price stability -- without inflation. For the immediate future, the experts forecast an annual rate of GNP in the last quarter of this year in the neighborhood of $540 billion.

REMARKS BY THE HONORABLE HENRY H. FOWLER
UNDER SECRETARY OF THE TREASURY
AT THE WHITE HOUSE REGIONAL CONFERENCE
ON FULL EMPLOYMENT AND ECONOMIC GROWTH
LOS ANGELES, CALIFORNIA,
TUESDAY, NOVEMBER 21, 1961

RECOVERY, FULL EMPLOYMENT, AND LONG-TERM GROWTH

It's always a pleasure to come to Southern California, and particularly when my topic is something you know well at first hand - economic growth. If our nation was growing as fast as California, many of our national problems would be solved. What we are here today to discuss, however, is not merely the situation in California, but the problem of achieving full employment and a rapid, healthy rate of growth for our entire nation.

One of today's panels will consider recovery and growth. Let's take a look first at our present strong recovery, and the events that preceded it. When President Kennedy took office last January we were in the depths of a recession that was then seven months old, with unemployment at its highest peak in almost 20 years. The immediate task was to reverse the trend and get the economy moving forward again. Our economy is essentially a healthy one, and possesses strong natural recovery forces. The problem was how best to stimulate and augment those forces.

Government moved promptly and effectively to do this. A number of actions, both legislative and executive, were taken which gave renewed confidence to the private sectors of our economy and had the effect of promoting recovery along a broad front. Here are some of those actions:

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Second, to help put American manufacturers on an equal footing with foreign competitors, who have been modernizing more rapidly, and to encourage expansion where needed, we are proposing an across-the-board tax credit for investment in new industrial equipment -- a proposal we hope the Congress will pass into law in the next session.

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This is important, first because our competitive position in those markets has been worsening recently with rises in prices of our export goods. Secondly, expanding our export trade is the best hope we have of eliminating our recent large deficits in our international balance of payments, which have been depleting our gold stocks, without withdrawing our military outposts in various bases in the Free World and abandoning aid to the less developed countries, leaving them to unhindered economic penetration and subversion by the Communist bloc.

Depreciation reform will also contribute to our domestic economy, by giving added strength to expansion, and by increasing our potential for long-term growth. It will contribute to expansion as new investment stimulates the machinery and allied industries and provides more jobs. There is a startling association between a healthy increase in the levels of such investment and vigorous and lengthy upswings in our economy. Increased investment in plant and equipment will also broaden our industrial base and help to expand our domestic markets. It is significant -- in considering the effect of such investment on long-term growth -- to note that Japan and West Germany, two nations which, as I mentioned, grew at more than twice our rate during the last decade, both spent more than twice as great a proportion of their output on investment in machinery and equipment during that time as did the United States.

To sum up, our recovery is healthy and strong. That gives us the time we need to take action to assure that the recovery continues, and that we move ahead into a period of more rapid economic expansion, in which we can realize our true potential.

Our task is to see that in this critical time we act with firmness and with wisdom.

We are here to discuss that course with you today. We have come to answer your questions, to hear your views, and to consider together what steps we must take to reach our goals. We are not here to lecture, but to learn. We want to know what you're thinking, and how you feel. We want every single good idea we can get hold of.

This is indeed a time of decision. We hold the shape of the future in our hands. The responsibility is ours -- yours and mine -- and I am sure we will meet it boldly.

Let us resolve now, that this will go down in history as the outset of a decade of decision, and not the beginning of a decade of default.

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FOR RELEASE A. M. NEWSPAPERS, November 20, 1961
Tuesday, November 21, 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 August 24, 1961 and the other series to be dated November 24, 1961, which were offered on November 15, were opened at the Federal Reserve Banks on November 20. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $600,000,000, or thereabouts, of 181-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 23, 1962		:	181-day Treasury bills maturing May 24, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.363 a/	2.520%	:	98.630	2.725%
Low	99.354	2.556%	:	98.623	2.739%
Average	99.359	2.537% 1/	:	98.626	2.734% 1/

a/ Excepting one tender of $300,000
46 percent of the amount of 91-day bills bid for at the low price was accepted
73 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	$ 38,236,000	$ 36,236,000	:	$ 13,495,000	$ 2,995,000
New York	1,438,702,000	708,602,000	:	1,026,284,000	464,111,000
Philadelphia	27,237,000	12,237,000	:	8,182,000	2,232,000
Cleveland	38,757,000	38,757,000	:	24,830,000	10,465,000
Richmond	15,890,000	15,890,000	:	3,295,000	3,270,000
Atlanta	23,430,000	21,330,000	:	4,090,000	3,990,000
Chicago	219,038,000	142,279,000	:	92,378,000	62,473,000
St. Louis	24,788,000	20,788,000	:	8,022,000	6,122,000
Minneapolis	24,784,000	22,014,000	:	6,771,000	4,171,000
Kansas City	29,823,000	29,823,000	:	21,599,000	20,049,000
Dallas	22,537,000	18,537,000	:	5,868,000	5,368,000
San Francisco	42,646,000	33,646,000	:	24,315,000	15,350,000
TOTALS	$1,945,868,000	$1,100,139,000 b/		$1,239,129,000	$600,596,000 c/

b/ Includes $226,745,000 noncompetitive tenders accepted at the average price of 99.3
c/ Includes $55,354,000 noncompetitive tenders accepted at the average price of 98.62
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 2.59%, for the 91-day bills, and 2.81%, for 181-day bills. Interest rates on bills are quoted in terms of bank discount wit the return related to the face amount of the bills payable at maturity rather th the amount invested and their length in actual number of days related to a 360-d year. In contrast, yields on certificates, notes, and bonds are computed in ter of interest on the amount invested, and relate the number of days remaining in a interest payment period to the actual number of days in the period, with semiann compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

)R RELEASE A. M. NEWSPAPERS,
1esday, November 21, 1961.

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improvement, rather than complete construction or complete rebuilding. But even the reforms of improvement are not accomplished overnight. They require patient exploration of detail and full public discussion of the issues. Our ultimate goal is the possession of a tax system that constantly and truly works in the national interest.

simplicity, contribution to economic growth. The main thrust centers on the income tax. It does not call for any marked alteration in the composition of the Federal tax structure -- there is no additional tax to be added -- no startling new tax to sweep across the horizon. There are, of course, other facets that one could spell out. The estate and gift tax demands attention. And we will probably find the economists doing some hard thinking in the exploration of the proposal of the Commission on Money and Credit for flexibility in the cyclical application of the income tax through temporary increases or decreases in rates. I say hard thinking, because all the possible courses of governmental action and the formulation of the standards to govern that action have to be fully and realistically analyzed. And operational flexibility in the counter-cyclical adjustment of tax rates can certainly come no faster than flexibility in thinking about tax policy in relation to cyclical changes in the economy.

But in the end, the task of tax reform centers on the Federal income tax. We Americans are fortunate that our tax system is fundamentally sound and the task is one of constant elimination of undue emphasis on salvage values by disregard of any salvage value below 10 percent of cost. We are hopeful that our present studies will disclose other measures. Certainly, an item so important to the measurement of taxable income as is depreciation should be kept as realistic and as simple of application as is possible, consistent with that task of measurement. I might add that in our studies we are taking careful recognition of the new pathways which you in Canada have been charting in this area of depreciation.

The investment credit is, in the form pending in Congress a credit against tax -- that is, a reduction in tax -- equal to 8 percent of the amount spent on investment in machinery and equipment. The entire cost of the asset may still be depreciated in the regular way. The purpose of this provision is to encourage an increase in investment, yet not distur the depreciation deduction as a measure of income. Moreover, this form of incentive achieves a greater impact on investment than would devices turning on an acceleration of depreciation. In fact, the 8 percent credit is equivalent in general as an incentive to a 40 percent initial write-off.

These are the major factors that stimulate the varied voices calling for tax reform in the United States: fairness, embody the view that the tax structure can contribute in a positive fashion to economic growth? The Kennedy Administration believes that the tax structure can contribute in an affirmative way to economic growth through promoting increased investment by business in machinery and equipment. We believe that the resulting modernization and expansion of our productive capacity will help us achieve a more vigorous economy.

The President's program has two major means to this end: depreciation reform and the investment credit. The first involves adjustment of the existing standards suggested by the Internal Revenue Service for depreciable lives of property to take into account the increasing obsolescence and need for more rapid replacement of machinery created by rapidly changing technology. The President's recent announcement of a 40 percent reduction in the guidelines for depreciable lives of textile machinery is the first step. We are currently re-examining depreciation rates in all industries.

We are also considering how far and in what ways we can achieve greater simplification in the application of the depreciation deduction. One pending measure involves the sales taxes as revenue sources for State and local governments. Hence, the Federal income tax must itself be broadly based, must be capable of supporting the expenditures required of Government, and -- in setting a progressive rate structure that establishes vertical equity, or fairness as among income levels -- must recognize the redistributive effects achieved through those very benefits that come from government expenditures.

The President has directed that these intertwined facets of equity and growth, these problems of special preferences and rates, be re-examined as an integral part of basic tax reform. The task is far from easy. Collective agreement on the ultimate goals of tax reform does not guarantee collective agreement on the details of the changes charted to reach those goals. The pressures of history, the complex range of the income tax, the pulls and tugs of competing claims, the confusion between debating points and real issues, the inevitable limitations upon present information and future forecast all these play their part.

Does the relationship between the tax structure and growt end with the removal of obstacles? Or does the true tax refor and discriminatory. They influence individual business decisions, with the result that the tax system distorts the workings of our free enterprise economy and produces a misallocation of resources. Our present system places a premium on tax planning and tax avoidance. The work of many talented lawyers and accountants is disproportionately diverted to this purpose, with a resultant loss to the community.

The equity and growth aspects of tax reform thus join together and reinforce each other. Their conjunction also emphasizes that action to accomplish only one of these facets of tax reform would not achieve our full purpose. Improved equity and the elimination of preferences require a re-examination of the rates of tax, especially in the middle and upper brackets. A reduction in tax rates without the elimination of preferences would leave the income tax still burdened with inequity and the resentment that comes with unfairness. The broader tax base that would come with greater equity would also make possible a re-examination of the rate structure. Any such re-examination must, of course, be conducted within the constraints imposed upon our Federal government, which cannot levy a property tax and which now leaves broad-based increased public expenditures required for better public services, together with national security demands, can fully and readily be met if we can achieve our full potential in economic growth.

In a country that places great stress on economic growth, all institutions and policies will be under the closest scrutiny in relation to that objective. In the United States, therefore, we are asking whether our tax system contributes to growth -- or whether it places obstacles in the path of growth. Are the dollars it transfers from private hands to meet public needs obtained in a manner that places as few obstacles as possible in the way of private initiative -- which holds the real key to growth?

It can be contended that the structure of our income tax - a tax base narrowed by exceptions, exclusions, and special preferences which make it necessary to impose a rate structure that begins at a high level and rises steeply -- produces tax rates that have adverse effects on growth. Moreover, apart from their effect on the steepness of the rates, the special provisions can also impede our growth in other ways. They differentiate among taxpayers in ways that are often arbitrary

There is another aspect of tax reform in the United States that is directly related to our over-all economic strength and the well-being of our people: There is acute dissatisfaction in the United States with our present rate of economic growth. When we compare present performance -- either with periods in our past or with the current achievements of other countries -- we see that our economy is operating considerably below its potential for real growth. We know that economic growth requires a greater investment in education and in health, in transportation and urban redevelopment, and in the public services that are necessary to the enjoyment of higher levels of consumption. We know that quantity and quality are both important in meeting these needs for public investment. We know that business expenditures on plant and equipment are too low in relation to our economic goals, and that the rate of modernization of our industrial machine must be increased if we are to compete successfully with foreign producers both at home and abroad. We know that the rate of capital formation must be increased if we are to obtain the needed increases in productivity that lie at the heart of economic growth. We also know that the masters of our paperwork and information, so that we can make resourceful use of vast quantities of data. In this connection, we have benefitted greatly from many helpful talks with your administrators who are also bringing the miracle of electronics to tax administration. The second, better audit methods, will enable us to concentrate our audit efforts on the types of cases which demand careful examination. Over the next decade, imaginative use of these new tools can bring about a revolutionary change in tax administration and compliance.

Simplicity is also a part of tax reform. It is related to the objective of fairness since inequities and preferences usually mean complexities. The borderlines of the preference must be delineated and all too often this border marking will involve complex rule upon rule. The requirement of simplicity also operates as a gloss upon fairness, warning us that each variation in status or make up of income and expense cannot demand special recognition in the measurement of taxable income and the tax. This is especially so as respects matters that will enter into the computations of the average person and thus will appear on the tax form used by most people.

Alongside the unfairness of substantive inequities is the unfairness that results from noncompliance. While the vast majority of Americans pay their taxes in full, there is still more noncompliance than we can tolerate in a democratic society. This is serious for, if through ignorance, carelessness, or downright dishonesty, some people avoid their share of the tax, that share must be picked up by others. A case in point is lack of full compliance with the tax on dividends and interest, with a consequent loss of an estimated one billion a year in revenue. President Kennedy's recommendation for withholding on dividends and interest is aimed at correcting this situation. Parenthetically, I should make it quite clear that withholding is neither designed to increase the existing tax on dividends and interest, nor to impose a tax on them for the first time.

While withholding at the source is a highly effective way of collecting taxes on items as wages, salaries, dividends and interest, different methods are needed in other areas to ensure compliance. Our Internal Revenue Service is proceeding on two broad fronts -- automatic data processing and quality auditing. The first, automatic data processing, will enable us to remain creature of the tax system, and the time has come when our tax laws should cease their encouragement of luxury spending as a charge on the Federal Treasury. The slogan -- 'It's deductible' -- should pass from our scene."

Growing concern with equity in the United States is not limited to the average taxpayer living on a wage or salary who reads about expense accounts, or who has a hazy, but correct, impression that there are a lot of others reducing their taxes through preferential provisions. The professional man in the United States is disturbed by his inescapable tax burden when he compares himself with the executive favored by stock options, generous pensions, and other fringe benefits. The business man or executive in turn is always wondering whether his tax advisors have obtained for him the latest thing in capital gain deals, or real estate shelters, or life insurance tax packages, or foreign tax havens. Proper tax planning in our complicated society is sensible and necessary - but proper planning is far removed from the frantic chase for the latest and hottest tax deal and gimmick. I can state that our responsible tax bar in the United States -- lawyers and accountants alike -- fully shares this view.

is, in the end, really an issue of tax morality. The average taxpayer will take a hard and resentful look at his tax bill if he knows that some individuals are able to charge off personal pleasures -- a yachting or hunting weekend, a night club party, a trip to Florida -- through the device of the deductible entertainment expense. I doubt -- and I believe many businessmen will agree with me -- whether anything does more damage to the public's image of business than expense account living. The President put it in these words:

"In recent years widespread abuses have developed through the use of the expense account. Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses, thereby charging a large part of their cost to the Federal Government. Indeed, expense account living has become a byword in the American scene.

"This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well. This widespread distortion of our business and social structure is largely a this is not the case, is there nevertheless a real and compelling national interest to be served by departing from our test of fairness and deliberately treating the same incomes differently?

President Kennedy's new tax program reflects our concern with equity and fairness. In his Message to Congress on Taxation, soon after taking office, he recommended changes in the treatment of entertainment expenses, dividend income, sales of depreciable property, certain foreign tax haven operations, and the taxation of mutual organizations now taxed less heavily than regular business corporations. In each of these cases the President said that the existing treatment is inequitable and cannot be justified.

The stress placed on equity in the President's tax program reflects a basic concern over our peoples' attitude toward the income tax. It is a recognition that a matter of basic morality is involved. In democracies such as ours, the people will willingly pay a tax bill they may regard as heavy if they believe that everyone else is paying his fair share. But the feeling is growing that some do escape their fair share, and the experts know that this feeling is justified. This is why a matter such as the unlimited deduction of entertainment expenses the incomes the same if one individual has expenses, such as medical bills, or a casualty loss, or charitable contributions that are not borne by another? Are the incomes to be taxed the same if one is married and the other single -- if one is elderly and the other young -- if one has more children -- if one is living abroad and the other is not? The cynical may conclude that there is no sameness, but only infinite variation -- hence, the test of equity is meaningless. But I submit that such a view would commit us to income tax anarchy. The standard of equity or fairness must, of course, be applied in the light of infinite variations. But the standard of fairness is real and compelling. It must be continuously borne in mind as a standard against which a tax policymaker, legislative or executive, must judge the validity of a claim for a structural change involving the differential treatment of a particular type of income or expense. Essentially, he must recognize that a difference in status is being claimed, and he must put the claimant to proof of two sorts: First, is the item one that should properly be recognized as an essential in measuring what we call income when we say that the same incomes should be taxed the same amount? Second, if principal source of State and local revenue; it is the income tax which is the mainstay of the Federal Government. Further, it is the income tax which directly affects so many of our people. We receive 60 million individual income tax returns covering about 100 million adults, out of an adult population of 108 million.

Under these circumstances, a first goal of United States tax policy must be that of maintaining the income tax in good working condition. But here many feel that there are signs of strains and weakness in the tax. One significant aspect relates to the equity of the tax under its present operation. Most individuals, I believe, feel instinctively that if two persons have the same income they should pay the same tax. If one pays less, then isn't the tax unfair and lacking in equity -- lacking in horizontal equity since we are talking of individuals at the same income level? The sophisticated may quickly point out that this simple and plausible standard of fairness masks many points of ambiguity and, hence, difficulties of application. For example: Are the incomes the same if the sources are different, and one individual has income from capital, including capital gains, another from employment, or natural resources, or a risky business? Are

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

367

Nov 21, 1961

REMARKS BY STANLEY S. SURREY,
ASSISTANT SECRETARY OF THE TREASURY,
BEFORE THE CANADIAN TAX FOUNDATION,
MONTREAL, CANADA,
NOVEMBER 21, 1961, 8 PM (EST)

ASPECTS OF TAX POLICY IN THE UNITED STATES

You are very kind to invite me to discuss some aspects of United States tax policy. If you read the financial or editorial pages of our newspapers, you will come across constant references to the need for tax reform. Now, I know that many regard we Americans as compulsive reformers. Be that as it may, this interest in tax reform in the United States compels attention. At the very least, it invites the inquiry: What is desired in the way of tax reform?

In our search for the answer to this question, a few statistics about the United States may be helpful: Under our system, 80 percent of our Federal tax dollars are raised by income tax. If we examine current Federal receipts (Fiscal year 1962), we find that $45 billion is obtained from individuals and $22 billion from corporations -- a total of $67 billion from the income tax. The Federal Government has no property tax and its excise taxes are limited -- alcohol, tobacco, and gasoline account for about 60 percent of the excise taxes. The property tax and excise taxes are the

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"This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well. This widespread distortion of our business and social structure is largely a creature of the tax system, and the time has come when our tax laws should cease their encouragement of luxury spending as a charge on the Federal Treasury. The slogan -- 'It's deductible' -- should pass from our scene."

Growing concern with equity in the United States is not limited to the average taxpayer living on a wage or salary who reads about expense accounts, or who has a hazy, but correct, impression that there are a lot of others reducing their taxes through preferential provisions. The professional man in the United States is disturbed by his inescapable tax burden when he compares himself with the executive favored by stock options, generous pensions, and other fringe benefits. The business man or executive in turn is always wondering whether his tax advisors have obtained for him the latest thing in capital gain deals, or real estate shelters, or life insurance tax packages, or foreign tax havens. Proper tax planning in our complicated society is sensible and necessary -- but proper planning is far removed from the frantic chase for the latest and hottest tax deal and gimmick. I can state that our responsible tax bar in the United States -- lawyers and accountants alike -- fully shares this view.

Alongside the unfairness of substantive inequities is the unfairness that results from noncompliance. While the vast majority of Americans pay their taxes in full, there is still more non-compliance than we can tolerate in a democratic society. This is serious for, if through ignorance, carelessness, or downright dishonesty, some people avoid their share of the tax, that share must be picked up by others. A case in point is lack of full compliance with the tax on dividends and interest, with a consequent loss of an estimated one billion a year in revenue. President Kennedy's recommendation for withholding on dividends and interest is aimed at correcting this situation. Parenthetically, I should make it quite clear that withholding is neither designed to increase the existing tax on dividends and interest, nor to impose a tax on them for the first time.

While withholding at the source is a highly effective way of collecting taxes on items as wages, salaries, dividends and interest, different methods are needed in other areas to ensure compliance. Our Internal Revenue Service is proceeding on two broad fronts -- automatic data processing and quality auditing. The first, automatic data processing, will enable us to remain masters of our paperwork and information, so that we can make resourceful use of vast quantities of data. In this connection, we have benefitted greatly from many helpful talks with your administrators who are also bringing the miracle of electronics to tax administration. The second, better audit methods, will enable us to concentrate our audit efforts on the types of cases which demand careful examination. Over the next decade, imaginative use of these new tools can bring about a revolutionary change in tax administration and compliance.

Simplicity is also a part of tax reform. It is related to the objective of fairness since inequities and preferences usually mean complexities. The borderlines of the preference must be delineated and all too often this border marking will involve complex rule upon rule. The requirement of simplicity also operates as a gloss upon fairness, warning us that each variation in status or make up of income and expense cannot demand special recognition in the measurement of taxable income and the tax. This is especially so as respects matters that will enter into the computations of the average person and thus will appear on the tax form used by most people.

There is another aspect of tax reform in the United States that is directly related to our over-all economic strength and the well-being of our people: There is acute dissatisfaction in the United States with our present rate of economic growth. When we compare present performance -- either with periods in our past or with the current achievements of other countries -- we see that our economy is operating considerably below its potential for real growth. We know that economic growth requires a greater investment in education and in health, in transportation and urban redevelopment, and in the public services that are necessary to the enjoyment of higher levels of consumption. We know that quantity and quality are both important in meeting these needs for public investment. We know that business expenditures on plant and equipment are too low in relation to our economic goals, and that the rate of modernization of our industrial machine must be increased if we are to compete successfully with foreign producers both at home and abroad. We know that the rate of capital formation must be increased if we are to obtain the needed increases in productivity that lie at the heart of economic growth. We also know that the increased public expenditures required for better public services, together with national security demands, can fully and readily be met if we can achieve our full potential in economic growth.

In a country that places great stress on economic growth, all institutions and policies will be under the closest scrutiny in relation to that objective. In the United States, therefore, we are asking whether our tax system contributes to growth -- or whether it places obstacles in the path of growth. Are the dollars it transfers from private hands to meet public needs obtained in a manner that

places as few obstacles as possible in the way of private initiative -- which holds the real key to growth?

It can be contended that the structure of our income tax -- a tax base narrowed by exceptions, exclusions, and special preferences which make it necessary to impose a rate structure that begins at a high level and rises steeply -- produces tax rates that have adverse effects on growth. Moreover, apart from their effect on the steepness of the rates, the special provisions can also impede our growth in other ways. They differentiate among taxpayers in ways that are often arbitrary and discriminatory. They influence individual business decisions, with the result that the tax system distorts the workings of our free enterprise economy and produces a misallocation of resources. Our present system places a premium on tax planning and tax avoidance. The work of many talented lawyers and accountants is disproportionately diverted to this purpose, with a resultant loss to the community.

The equity and growth aspects of tax reform thus join together and reinforce each other. Their conjunction also emphasizes that action to accomplish only one of these facets of tax reform would not achieve our full purpose. Improved equity and the elimination of preferences require a re-examination of the rates of tax, especially in the middle and upper brackets. A reduction in tax rates without the elimination of preferences would leave the income tax still burdened with inequity and the resentment that comes with unfairness. The broader tax base that would come with greater equity would also make possible a re-examination of the rate structure. Any such re-examination must, of course, be conducted within the constraints imposed upon our Federal government, which cannot levy a property tax and which now leaves broad-based sales taxes as revenue sources for State and local governments. Hence, the Federal income tax must itself be broadly based, must be capable of supporting the expenditures required of Government, and -- in setting a progressive rate structure that establishes vertical equity, or fairness as among income levels -- must recognize the redistributive effects achieved through those very benefits that come from government expenditures.

The President has directed that these intertwined facets of equity and growth, these problems of special preferences and rates, be re-examined as an integral part of basic tax reform. The task is far from easy. Collective agreement on the ultimate goals of tax reform does not guarantee collective agreement on the details of the changes charted to reach those goals. The pressures of history, the complex range of the income tax, the pulls and tugs of competing claims, the confusion between debating points and real issues, the inevitable limitations upon present information and future forecasts -- all these play their part.

Does the relationship between the tax structure and growth end with the removal of obstacles? Or does the true tax reform embody the view that the tax structure can contribute in a positive

fashion to economic growth? The Kennedy Administration believes that the tax structure can contribute in an affirmative way to economic growth through promoting increased investment by business in machinery and equipment. We believe that the resulting modernization and expansion of our productive capacity will help us achieve a more vigorous economy.

The President's program has two major means to this end: depreciation reform and the investment credit. The first involves adjustment of the existing standards suggested by the Internal Revenue Service for depreciable lives of property to take into account the increasing obsolescence and need for more rapid replacement of machinery created by rapidly changing technology. The President's recent announcement of a 40 percent reduction in the guidelines for depreciable lives of textile machinery is the first step. We are currently re-examining depreciation rates in all industries.

We are also considering how far and in what ways we can achieve greater simplification in the application of the depreciation deduction. One pending measure involves the elimination of undue emphasis on salvage values by disregard of any salvage value below 10 percent of cost. We are hopeful that our present studies will disclose other measures. Certainly, an item so important to the measurement of taxable income as is depreciation should be kept as realistic and as simple of application as is possible, consistent with that task of measurement. I might add that in our studies we are taking careful recognition of the new pathways which you in Canada have been charting in this area of depreciation.

The investment credit is, in the form pending in Congress, a credit against tax -- that is, a reduction in tax -- equal to 8 percent of the amount spent on investment in machinery and equipment. The entire cost of the asset may still be depreciated in the regular way. The purpose of this provision is to encourage an increase in investment, yet not disturb the depreciation deduction as a measure of income. Moreover, this form of incentive achieves a greater impact on investment than would devices turning on an acceleration of depreciation. In fact, the 8 percent credit is equivalent in general as an incentive to a 40 percent initial write-off.

These are the major factors that stimulate the varied voices calling for tax reform in the United States: fairness, simplicity, contribution to economic growth. The main thrust centers on the income tax. It does not call for any marked alteration in the composition of the Federal tax structure -- there is no additional tax to be added -- no startling new tax to sweep across the horizon. There are, of course, other facets that one could spell out. The estate and gift tax demands attention. And we will probably find the economists doing some hard thinking in the exploration of the proposal of the Commission on Money and Credit for flexibility in the cyclical application of the income tax through temporary increases or decreases in rates. I say hard thinking, because all the possible courses of governmental action and the formulation of the standards to govern that action have to be fully and realistically analyzed. And operational flexibility in the counter-cyclical adjustment of tax rates can certainly come no faster than flexibility in thinking about tax policy in relation to cyclical changes in the economy.

But in the end, the task of tax reform centers on the Federal income tax. We Americans are fortunate that our tax system is fundamentally sound and the task is one of constant improvement, rather than complete construction or complete rebuilding. But even the reforms of improvement are not accomplished overnight. They require patient exploration of detail and full public discussion of the issues. Our ultimate goal is the possession of a tax system that constantly and truly works in the national interest.

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During the third quarter of 1961, there was a net sale of monetary gold by the U.S. amounting to $138.4 [redacted] million. [redacted]

The first quarter showed a net sale of $366.0 million, while [redacted]x in the second quarter there was a net purchase of monetary gold by this country of $178.8 million.

The Treasury's quarterly report, made public today, summarizes monetary gold transactions with foreign governments, central banks and international institutions for the third quarter of 1961.

These transactions brought to $325.6 million the net sale of monetary gold in the first nine months of [redacted] this year.

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(table on revdrse side)

UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1961 - September 30, 1961

(In millions of dollars at $35 per fine troy ounce)

	Negative figures represent net sales by the United States; positive figures, net purchases		
Country	First Quarter 1961	Second Quarter 1961	Third Quarter 1961
Argentina	-90.0	---	---
Belgium	---	---	-63.0
BIS	-23.0	---	---
Chile	- 6.6	---	---
Costa Rica	---	---	- 2.3
Denmark	-35.0	---	---
El Salvador	---	+ 6.4	- 5.0
Germany (West)	-22.5	---	---
International Monetary Fund	---	---	+150.0
Italy	+100.0	---	---
Kuwait	- 9.8	---	---
Laos	---	- 1.9	---
Lebanon	---	---	-21.0
Netherlands	---	---	-24.9
Peru	- 5.0	---	---
Saudi Arabia	-10.0	-25.0	-12.5
Spain	-58.2	---	-58.0
Switzerland	-54.9	-20.0	-44.8
Turkey	---	- 2.5	---
United Kingdom	-150.0	+224.6	-54.6
All Other	- 1.0	- 2.8	- 2.3
Total	-366.0	+178.8	-138.4

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 21, 1961

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS
FOR THIRD QUARTER OF 1961

During the third quarter of 1961, there was a net sale of monetary gold by the United States amounting to $138.4 million. The first quarter showed a net sale of $366.0 million, while in the second quarter there was a net purchase of monetary gold by this country of $178.8 million.

These transactions brought to $325.6 million the net sale of monetary gold in the first nine months of this year.

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TREASURY DEPARTMENT 378

WASHINGTON, D.C.

November 21, 1961

FOR IMMEDIATE RELEASE

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El Salvador	---	+ 6.4	- 5.0
Germany (West)	-22.5	---	---
International Monetary Fund	---	---	+150.0
Italy	+100.0	---	---
Kuwait	- 9.8	---	---
Laos	---	- 1.9	---
Lebanon	---	---	-21.0
Netherlands	---	---	-24.9
Peru	- 5.0	---	---
Saudi Arabia	-10.0	-25.0	-12.5
Spain	-58.2	---	-58.0
Switzerland	-54.9	-20.0	-44.8
Turkey	---	- 2.5	---
United Kingdom	-150.0	+224.6	-54.6
All Other	- 1.0	- 2.8	- 2.3
Total	-366.0	+178.8	-138.4

35B - 600 cys - Call Hanover
Remind Steve - Call to Mr Roosa's attn:

RELEASE A.M. NEWSPAPERS
Friday, November 24, 1961

TWENTY THOUSAND DOLLAR ANNUAL LIMIT RESTORED ON SERIES H
UNITED STATES SAVINGS BONDS

The Treasury today announced that after January 1, 1962, up to $20,000 in Series H Savings Bonds may be purchased annually by any one buyer. Since 1957 ~~For the past four and a half years,~~ the limit has been $10,000. Interest is payable on these bonds semi-annually by check, and amounts to an investment yield of 2-3/4% if held for the full 10-year until maturity.

The annual limit on both E and H Savings Bonds was reduced from $20,000 to $10,000 on May 1, 1957, after having been set at the higher figure in 1952. The new ruling will not change the present limit of $10,000 on E Bonds, face value.

Acting Secretary Robert V. Roosa said the current restoration of the $20,000 purchase limitation on H bonds comes as a result of the Treasury's four and a half years' experience with the lower amount, and a growing demand by smaller institutional investors for a higher limit. Such investors - partnerships, corporations, pension funds, and others - have been eligible buyers of these securities only since 1958.

Records show that about 8 per cent of H bond cash sales are made to investors other than individuals, while the figure is less than 2 per cent for E bonds. Thus, the demand for a higher purchase limit primarily involved H bonds.

TREASURY DEPARTMENT

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WASHINGTON, D.C.

November 22, 1961

RELEASE A.M. NEWSPAPERS
FRIDAY, NOVEMBER 24, 1961

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UNITED STATES SAVINGS BONDS

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Purchases of Series H bonds are up by 14 per cent this year. Cash sales for the first 10 months of 1961 were $703 million, as compared with $616 million for the same period of 1960.

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the applicant banks in order that they may have opportunity to prepare answer. The answers made by the applicant banks to the advisory opinions will be made available to the three agencies as promptly as possible in order to allow them to make reply. All of these documents will be entered in the record of the public hearing and will thus be available to the public at that time.

The Comptroller stated that the competitive factor is one of the seven factors (six being banking factors)* which he is required by the so-called Bank Merger Act to consider in determining whether or not the proposed merger meets the public interest test of that statute. Thus, the Comptroller stated, under the statute no single factor is conclusive or controlling in determining whether a proposed merger is in the public interest.

The Comptroller expressed regret that this hearing has been scheduled at a relatively early date, but he stated that this proposed merger has been pending in his office since May 15, 1961. Further protracted delay in the disposition of this matter is deemed not to be warranted and not in the public interest, the Comptroller said.

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* 1. The financial history and condition of each of the banks involved,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served,
6. Whether or not its corporate powers are consistent with the purposes of the Act.

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 21, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY TO HOLD PUBLIC HEARING ON PROPOSED MERGER OF FIRST NATIONAL CITY BANK OF NEW YORK AND THE NATIONAL BANK OF WESTCHESTER, NEW YORK

The Comptroller of the Currency announced today that he had ordered a public hearing on the application for approval of the proposed merger of the First National City Bank of New York and the National Bank of Westchester, White Plains, New York. The hearing is scheduled for 10 a.m. Monday, December 4, at the United States Treasury, Washington, D.C. The hearing will be on an informal basis and will be conducted by the Comptroller.

The Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, and the Department of Justice, have been advised of this action and invited to appear or to observe this proceeding as each may be disposed. However, the Comptroller expressed the hope that each of these agencies will feel free to participate in the proceeding. All other persons are invited to submit their views either by letter or orally on the subject matter of the hearing.

The Comptroller stated that as a matter of fair play the advisory opinions on the competitive aspect of the proposed merger required by the Bank Merger Act to be submitted by the Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, and the Department of Justice, will be made available immediately to

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 21, 1961

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5. The convenience and needs of the community to be served,
6. Whether or not its corporate powers are consistent with the purposes of the Act.

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~~DELAY - 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.

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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 (x16x) or less for the additional bills dated August 31, 1961 (x17x), (91 (x18x) days remaining until maturity date on March 1, 1962 (x19x)) and noncompetitive tenders for $ 100,000 (x20x) or less for the 182 (x21x) -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 November 30, 1961 (x22x), in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 30, 1961 (x23x). 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 ~~XXXXXXXXXX~~ November 22, 1961

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

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 November 30, 1961 , in the amount of $1,700,688,000 , as follows:

91 -day bills (to maturity date) to be issued November 30, 1961 , in the amount of $ 1,100,000,000 , or thereabouts, representing an additional amount of bills dated August 31, 1961 , and to mature March 1, 1962 , originally issued in the amount of $ 600,386,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 600,000,000 , or thereabouts, to be dated November 30, 1961 , and to mature May 31, 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 amoun 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 (maturit value).

Tenders will be received at Federal Reserve Banks and Branches up to the closi hour, one-thirty o'clock p.m., Eastern Standard time, Monday, November 27, 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

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WASHINGTON, D.C.

November 22, 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 August 31, 1961 (91-days remaining until maturity date on March 1, 1962) 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 November 30, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 30, 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.

November 22, 1961

IMMEDIATE RELEASE

SPECIAL NOTICE TO TRUSTEES AND INSTITUTIONAL HOLDERS OF SERIES F & G SAVINGS BONDS MATURING IN 1962 DESIRING TO EXCHANGE THEIR HOLDINGS FOR 3-7/8% TREASURY BONDS OF 1968

The Treasury Department announced today that it has received information from banking institutions and other sources that due to the holiday this week many holders of the Series F and G savings bonds which mature in 1962 and which may be exchanged for 3-7/8% Treasury Bonds of 1968 will not be able to complete all the detail requirements necessary to enable them to file their subscriptions by November 24, 1961, the closing date for the receipt of subscriptions from all classes of subscribers other than individuals. (The closing date for the receipt of subscriptions from individuals is November 30, 1961.) In many cases it is necessary for holders of Series F and G bonds to obtain signatures of trustees or other officials, or to await meetings of trustees or committees before the exchange can be consummated.

In view of this situation, the Treasury will permit these holders of Series F and G savings bonds who are unavoidably delayed in completing their subscriptions, to file with Federal Reserve Banks and Branches or the Treasurer of the United States, or place in the mail before midnight November 24, 1961, a letter of intent stating that they propose to enter an exchange subscription and giving the reasons which account for their inability to complete their subscription and delivery of the Series F and G savings bonds to be exchanged by that date. In such cases the subscribers will have until the close of business November 30, 1961, to complete their subscriptions.

The Treasury announced on November 17, 1961, that holders of Series F and G savings bonds which mature in 1962 may exchange them at their face amount, with certain interest and other adjustments, as of December 15, 1961, for the 3-7/8% Treasury Bonds dated June 23, 1960, maturing May 15, 1968, to be issued at a price of 99.50%, and that the subscription books would be open for the receipt of subscriptions from all classes of subscribers from November 20 through November 24, 1961, and in addition, subscriptions could be submitted by individuals through November 30, 1961.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 24, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON MOLASSES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that molasses from Cuba 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 determination will be published in the Federal Register.

Appraising officers are being instructed to proceed with the appraisement of molasses from Cuba without regard to any question of dumping. Appraising officers, however, are being instructed to report future importations to the Bureau of Customs and if any appear to be at less than fair value the case will be reopened.

The dollar value of imports of molasses from Cuba received during the first 7 months of 1961 was approximately $1,700,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 24, 1961

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The dollar value of imports of molasses from Cuba received during the first 7 months of 1961 was approximately $1,700,000.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, November 28, 1961.

November 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 August 31, 19 and the other series to be dated November 30, 1961, which were offered on November 22, were opened at the Federal Reserve Banks on November 27. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $600,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing March 1, 1962		:	182-day Treasury bills maturing May 31, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	99.346	2.587%	:	98.595	2.779%
Low	99.339	2.615%	:	98.570	2.829%
Average	99.341	2.606% 1/	:	98.581	2.806% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 29,322,000	$ 25,322,000	:	$ 7,085,000	$ 5,235,000
New York	1,532,185,000	744,159,000	:	832,028,000	452,028,000
Philadelphia	23,371,000	8,371,000	:	6,839,000	1,839,000
Cleveland	39,093,000	29,793,000	:	16,540,000	16,540,000
Richmond	13,973,000	12,973,000	:	2,995,000	2,995,000
Atlanta	23,622,000	19,922,000	:	6,775,000	6,775,000
Chicago	212,101,000	131,671,000	:	100,087,000	69,387,000
St. Louis	24,308,000	19,308,000	:	5,002,000	4,002,000
Minneapolis	22,925,000	18,780,000	:	6,029,000	6,029,000
Kansas City	28,080,000	28,080,000	:	7,478,000	6,628,000
Dallas	13,572,000	13,572,000	:	4,709,000	4,709,000
San Francisco	98,971,000	48,111,000	:	40,154,000	23,904,000
TOTALS	$2,061,523,000	$1,100,062,000 a/	:	$1,035,721,000	$600,071,000

a/ Includes $214,309,000 noncompetitive tenders accepted at the average price of 99.3
b/ Includes $49,488,000 noncompetitive tenders accepted at the average price of 98.5
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 2.66%, for the 91-day bills, and 2.89%, for t 182-day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than th amount invested and their length in actual number of days related to a 360-day ye In contrast, yields on certificates, notes, and bonds are computed in terms of in on the amount invested, and relate the number of days remaining in an interest pa period to the actual number of days in the period, with semiannual compounding if than one coupon period is involved.

-310 Mm W.T.H.-

TREASURY DEPARTMENT

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WASHINGTON, D.C.

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Chicago	212,101,000	131,671,000	100,087,000	69,387,000
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applications of the type referred to herein. Notice, public participation, and deferred effective date are not required for statement of procedures, and therefore were not provided in connection with the adoption of these amendments.

Dated: November 28, 1961

(signed) James J. Saxon

James J. Saxon
Comptroller of the Currency

[SEAL]

material offered by any person shall be received, and all other procedural matters arising during the course of, or otherwise in connection with, any hearing.

(c) No person shall be deemed to have become a party to any matter pending before the Comptroller solely because of being permitted to appear or to submit testimony, evidence, data or other material at a hearing held pursuant to this section.

(d) Hearings ordered by the Comptroller pursuant to this section are not required by statute and shall not be subject to the provisions of the Administrative Procedure Act. Nothing in this section shall be deemed to require the holding of a hearing on any matter subject to the jurisdiction of the Comptroller, nor shall the validity of the Comptroller's decision on any such matter be affected because a hearing was not held, whether or not such a hearing was requested by any person, nor by the procedures adopted at any such hearing.

(e) Decisions of the Comptroller on all matters committed by law to his discretion shall be made on the basis of information developed by him through investigation, hearings, or otherwise, and in the light of national aims and policy. All such decisions of the Comptroller shall be final and binding on all persons.

(f) All decisions of the Comptroller on applications subject to the provisions of this section shall be published weekly in a Bulletin issued by the Comptroller of the Currency."

2. The purpose of this amendment is to inform the public with respect to procedures followed by the Comptroller of the Currency with respect to

TITLE 12 - BANKS AND BANKING

CHAPTER I - BUREAU OF THE COMPTROLLER OF THE CURRENCY

DEPARTMENT OF THE TREASURY

PART IV - PROCEDURES

1. Effective December 1, 1961, Part IV is amended by adding a new section 4.8, renumbering existing section 4.8 to 4.9, and renumbering all subsequent paragraphs in Part IV accordingly. Section 4.8 shall read as follows:

"§ 4.8 Procedures applicable to applications received by the Comptroller of the Currency.

(a) This section shall apply to applications for approval by the Comptroller of the Currency of new charters, branches, mergers, consolidations, purchases of assets, assumptions of liabilities, change of name or location, and conversions from state to national banks. Notice of all such applications received shall be published weekly in a Bulletin issued by the Comptroller of the Currency.

(b) With respect to any such application or any aspect thereof, the Comptroller of the Currency, in his sole discretion, either upon request of any interested person or otherwise, may order a public hearing. Public hearings ordered by the Comptroller shall be held at the time and place fixed by him, and shall be conducted by the Comptroller, a Deputy Comptroller, or such other person as the Comptroller may designate. At any such hearing, any interested person may be permitted to submit any testimony, evidence, data or other material pertinent to the pending application. The officer conducting the hearing shall have authority to determine who may appear, the order of appearance, what testimony, evidence, data, or other

TREASURY DEPARTMENT

IMMEDIATE RELEASE

WASHINGTON, D.C.
November 29, 1961

COMPTROLLER OF THE CURRENCY ANNOUNCES NEW PROCEDURES FOR HOLDING HEARINGS ON APPLICATIONS FOR BANK MERGERS, CHARTERS AND BRANCHES

Comptroller of the Currency James J. Saxon today announced new procedures under which his office for the first time will hold public hearings on applications subject to its jurisdiction. The Comptroller of the Currency Bureau headed by Mr. Saxon supervises the national banking system, and is the oldest regulatory agency in the Federal Government having been first established in 1863. During the century of its existence it has not heretofore held public hearings or observed other public procedures.

Prior to taking office as Comptroller on November 16, 1961, Mr. Saxon had stated publicly on several occasions that in the interests of fair play and better supervision he would institute procedures of public notice and hearings. The new procedures will be applicable to bank mergers, the chartering of new national banks, and the establishment of branches, as well as other miscellaneous matters.

Mr. Saxon has already ordered the first public hearing to be held under the new procedures. Within a few days after taking office Mr. Saxon ordered a public hearing on the merger application of the First National City Bank of New York and the National Bank of Westchester, White Plains, New York. This hearing will be held on December 4 at the Treasury.

Under the new procedures announced today the Comptroller stated that in most cases the hearings will be held by the Comptroller, or a Deputy Comptroller. Mr. Saxon stated that they will be conducted informally and will not be subject to the Administrative Procedure Act. Notice of all applications received and decisions made by the Comptroller will be published in his weekly Bulletin.

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TREASURY DEPARTMENT

IMMEDIATE RELEASE

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applications of the type referred to herein. Notice, public participation, and deferred effective date are not required for statement of procedures, and therefore were not provided in connection with the adoption of these amendments.

Dated: November 28, 1961

(signed) James J. Saxon

James J. Saxon
Comptroller of the Currency

[SEAL]

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.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders.

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 September 7, 1961, (91 days remaining until maturity date on March 8, 1962) 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 December 7, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 7, 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 November 29, 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 December 7, 1961, in the amount of $1,709,466,000, as follows:

91-day bills (to maturity date) to be issued December 7, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated September 7, 1961, and to mature March 8, 1962, originally issued in the amount of $595,235,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated December 7, 1961, and to mature June 7, 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 Standard time, Monday, December 4, 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.

November 29, 1961

FOR IMMEDIATE RELEASE

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 September 7, 1961, (91-days remaining until maturity date on March 8, 1962) 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 December 7, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 7, 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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and other members of the Alliance are planning them.

We are all aware that some hemisphere leaders are already working hard to accomplish these improvements, not only in land and tax policy, but in other very important areas as well, such as education and public administration.

We in the United States are doing our part, and with the approval of the Congress and the American people, we will continue to do it. But our friends in the Americas must also act. We are confident that they will.

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And finally, the panel will serve as a highly useful source of information and guidance to United States Government officials and others involved in providing and channeling external capital. It will produce greater confidence on the part of private investors, by assuring them of an informed judgment on the project itself, and will also give them confidence that they are investing in countries with a future, where growth and expansion can be expected. Public capital suppliers will also have greater confidence that their resources will be used in combination with other funds to provide maximum overall effect.

But we must remember that all of these things, public capital, priv investment, and sound planning, will have little effect without the essential improvements in administration, tax systems, and land utilization, that are the very backbone of the Alliance.

These changes are underway in some Latin American countries,

~~and other~~

and socially.

The panel, and the experts who serve with it, will provide an incentive to plan so that private, government and external resources are used in such a manner as to make a maximum contribution to advancing developm This is particularly important since external capital can only be supplementary to local capital, and is most effective when used in combination with national public and private resources.

The panel will also serve to increase the care with which project priorities are worked out within a national development plan. That is a significant aspect of development planning. It is sometimes difficult, for instance, to decide between schooling and irrigation, and often hard choices must be made. Priority planning helps to insure that such choic are faced up to, that decisions are made, and in a manner that will brin the greatest benefit to the greatest number of people.

~~And finally,~~

own potential, and to realize their opportunity for growth in freedom.

In the words of the preamble to the historic Charter of Punta del Este:

> "It is our inescapable task to ..... demonstrate to the poor and forsaken of our countries, and of all lands, that the creative powers of free men hold the key to their progress and to the progress of future generations".

The realization of the aspirations of the people of the hemisphere depends on the practical planning and implementation that is necessary to transform our goals into concrete and lasting achievements. That is why this meeting today to select the panel of nine experts who will, with appropriate assistance, review development plans and programs, is of particular importance.

One of the most promising aspects of the Alliance is the emphasis it places on country-wide planning. Such planning should serve to assure th individual projects are well integrated into patterns of national develop ment, and that they contribute to a balanced growth, both economically

These improvements are needed to give the great bulk of the people of Latin America the stake in social and economic development that is necessary if they are themselves to provide the needed effort. They are also basic in our mutual effort to provide a framework for progress in which free, private institutions can grow and flourish.

No one believes such reforms will be easy. They go to the very root and tradition of ways of life that have evolved through centuries. There is no doubt that making these reforms involves hard choices and difficult decisions. The course of reform is not a smooth one, and it is seldom a popular one. But these decisions must be made.

For it is the agreed position of all of us that the loans would go to the nations which help themselves, and it is fitting that this should be the case. This Alliance was not formed to waste its resources.

It was formed, and its purpose was stated in unmistakable terms, to benefit those people of the hemisphere who need help to achieve their

own potential,

can be betrayed, if we assume that the Alliance for Progress is no more than a loan program. It is, and will be, far more. Loans there will certainly be. But we have no intention -- now or later -- of making loan for other than sound reasons of development or need. At Punta del Este, we agreed that this was to be a genuine Alliance, with full cooperation and matched effort, and that the other republics would make their own entry into the decade of development. We will be a partner in hemispheri progress, but we do not intend, and in fact we cannot, carry the whole load. Fully 80 percent of the resources needed to move the hemisphere into the twentieth century must come from Latin America itself.

But that is not all. The most important part of the entire effort is the overall administrative progress, including both land and tax refo that our fellow members of the Alliance must make for themselves.

~~These improvemen~~

related purposes; $250 million for technical assistance, development loans and grants under the Agency for International Development; $78 million for housing, community development, rural credit and other proj under the Social Progress Trust Fund, administered by the Inter-American Development Bank, and $94 million in U. S. Agricultural Commodities unde the Food For Peace program.

So we are well on the way toward making good our commitment for th year. We know that over the 10-year span of the Alliance, Latin Americ will need at least $20 billion in external resources to foster growth and development. This figure includes private, as well as public invest and while we expect to provide the major part of it, substantial amount will also be expected from other industrialized nations and from international lending institutions.

But dollars don't mean development. At the very outset, our oppo tunity for success can be wiped out, and the hope of the hemisphere

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TREASURY DEPARTMENT
Washington

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November 30, 1961

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL
OF THE ORGANIZATION OF AMERICAN STATES
AT THE PAN AMERICAN UNION, WASHINGTON, D. C.
THURSDAY, NOVEMBER 30, 1961, 10:45 A.M.EST

It is a great pleasure to be present at this first meeting of the Inter-American Economic and Social Council to take formal steps toward implementing the Alliance for Progress.

This is not an occasion for vivid pronouncements. It is a working-level meeting. In that sense, it is truly representative of the entire spirit of the Alliance, for success in our efforts will depend upon our resolution and our willingness to work to achieve it.

The United States is doing its part. We have promised more than a billion dollars of governmental assistance for the first year of the Alliance which ends March 13, and we have already committed more than $800 million of that amount. That $800 million includes, in approximate amounts: $390 million in Export-Import Bank loans for development and

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TREASURY DEPARTMENT
Washington

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But that is not all. The most important part of the entire effort is the over-all administrative progress, including both land and tax reforms, that our fellow members of the Alliance must make for themselves.

These improvements are needed to give the great bulk of the people of Latin America the stake in social and economic development that is necessary if they are themselves to provide the needed effort. They are also basic in our mutual effort to provide a framework for progress in which free, private institutions can grow and flourish.

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The panel, and the experts who serve with it, will provide an incentive to plan so that private, government and external resources are used in such a manner as to make a maximum contribution to advancing development. This is particularly important since external capital can only be supplementary to local capital, and is most effective when used in combination with national public and private resources.

The panel will also serve to increase the care with which project priorities are worked out within a national development plan. That is a significant aspect of development planning. It is sometimes difficult, for instance, to decide between schooling and irrigation, and often hard choices must be made. Priority planning helps to insure that such choices are faced up to, that decisions are made, and in a manner that will bring the greatest benefit to the greatest number of people.

And finally, the panel will serve as a highly useful source of information and guidance to United States Government officials and others involved in providing and channeling external capital. It will produce greater confidence on the part of private investors, by assuring them of an informed judgment on the project itself, and will also give them confidence that they are investing in countries with a future, where growth and expansion can be expected. Public capital suppliers will also have greater confidence that their resources will be used in combination with other funds to provide maximum over-all effect.

But we must remember that all of these things, public capital, private investment, and sound planning, will have little effect without the essential improvements in administration, tax systems, and land utilization, that are the very backbone of the Alliance.

These changes are underway in some Latin American countries, and other members of the Alliance are planning them.

We are all aware that some hemisphere leaders are already working hard to accomplish these improvements, not only in land and tax policy, but in other very important areas as well, such as education and public administration.

We in the United States are doing our part, and with the approval of the Congress and the American people, we will continue to do it. But our friends in the Americas must also act. We are confident that they will.

oOo

TREASURY DEPARTMENT
Washington

REMARKS OF JOSEPH W. BARR, ASSISTANT TO THE SECRETARY OF THE TREASURY, BEFORE THE ARKANSAS COUNTY TREASURERS' ASSOCIATION CONVENTION, AT THE MARION HOTEL IN LITTLE ROCK, ARKANSAS, AT 7:00 P.M., ON FRIDAY, DECEMBER 1, 1961

The State of Arkansas has sent to the Congress of the United States two men on whom we in the Treasury rely heavily for advice and help in managing the finances of the United States. I am referring to Senator William Fulbright and Congressman Wilbur Mills. Since Arkansas has been kind enough to send to us in the Federal Government men of the caliber of Bill Fulbright and Wilbur Mills, it is surely only fitting and proper that the Secretary of the Treasury should send me back to your State to discuss with you County Treasurers some of our mutual problems. I fear that you gentlemen are getting the short end of the exchange, but I do hope that you will give us credit for an attempt at reciprocity.

Senator William Fulbright shares with us in considerable measure the burden of the balance of payments problem which now confronts this nation. This is a relatively new problem for the United States. We have not had to concern ourselves about this financial discipline since the early 1930's. Today, however, the balance of payments and our gold reserves are closely tied in with our ability to deploy troops around the world, to support our foreign aid program, and to permit the free flow of American private capital into world-wide investment opportunities. In other words, the balance of payments and our gold reserves are inextricably tied up with our expressed national determination to meet the thrust of the Soviet Communist challenge. Senator Fulbright's reputation in the field of foreign policy is quite well-known. However, I believe that not too many people in the country are aware that he is also an outstanding authority in the field of international finance -- a man whose judgment and advice in this area is immensely helpful to us in the Treasury. When Senator Fulbright peers closely at you over those half-rimmed glasses that he wears and commences a lecture on the international financial problems of the United States, it pays to listen closely.

Wilbur Mills, Chairman of the Ways and Means Committee, is one of the great tax authorities in this Nation. Wilbur and his committee share with Treasury the responsibility of keeping our system of voluntary taxation in working order. He brings to this responsibility not only his expertise on tax matters but his years of experience in the service of the United States. Wilbur is a cautious and a prudent man. There have been times when we in the Treasury have become a trifle impatient with Wilbur's minute examination of our proposals. Sometimes we ruefully admit that Wilbur has examined our programs to death. In all fairness, however, we must admit that the revenues of the United States are so vitally important to our strength as a nation that we can understand and sympathize with his cautious and careful appraisals of our proposals.

I served with both Bill Fulbright and Wilbur Mills in the Congress. I know the enormous amount of work involved in representing a State or a district. I am only grateful that both of these men find the time to be so helpful to the United States Treasury.

The Secretary of the Treasury, Douglas Dillon, has the heaviest responsibilities of any financial officer in the world today. He is charged with the responsibility of administering the finances of a nation of 180 million people, producing goods and services at a current annual rate of about $540 billion a year. These responsibilities range through tax revenues, currently running at about $82 billion a year, expenditures of about $89 billion a year, a national debt of almost $297 billion, and gold reserves ~~in excess of~~ just under $17 billion. On the other hand, I would suppose that you gentlemen, in your capacity as County Treasurers, represent the basic areas of government finance in the country. In spite of the fact that the Secretary of the Treasury deals in enormous sums and you deal in much smaller sums, we share an area of mutual problems. This will be the subject of my discussion tonight.

Most people assume that the Secretary of the Treasury in discharging his duties is guided by purely Federal responsibilities. Our areas of Federal responsibility are centered in taxation, debt management, and international finance. The Secretary shares with the Congress the responsibility of providing an equitable system of taxation and revenue that will enable the country to meet its national obligations. He must provide orderly management of the national debt so as to minimize interest charges, provide for a debt of reasonable structure and avoid undue interference in the capital markets of the country. And lastly, he must manage our international financial affairs so that the Nation can meet its military and diplomatic commitments, while preserving the value of the dollar as a bulwark to the financial security of the free world. These are the Federal objectives which we in the Treasury must always keep before us. But not withstanding these purely Federal objectives, we all realize that we must also take into account the problems of the State and local finance authorities. We must take into account the problems that you people encounter in discharging your duties as County Treasurers here in Arkansas.

The position of Secretary of Treasury today is certainly no bed of roses. The ability of this Nation to meet the challenges at home and abroad rests in large measure on our financial strength. Consequently, in these troubled times the Secretary of the Treasury carries a staggering responsibility. On the other hand, he can sympathize deeply with your problems as County Treasurers. A look at the statistics reveals the cause for his sympathy. The Federal Government has been able to reduce the level of its tax rates twice since World War II. In spite of these reductions our revenues have increased from $40 billion in 1946 to a level of about $82 billion for fiscal year 1962. On the other hand, I am quite certain that the county governments in Arkansas, in line with the rest of the country, have been forced to raise their tax rates. Our total national debt increased from $260 billion in 1946 to about $297 billion today, or an increase of about 14 percent. But over the Nation, State and local debt has jumped from a total of $16 billion in 1946 to over $72 billion today -- an increase in excess of 350 percent. This is a sobering comparison.

While our national needs, especially in the area of defense, are enormous and constantly pressing, we realize that the demands on your local resources are probably equally as pressing. We realize and understand the pressures on you for schools, roads, hospitals -- all the local services which your people need. Realizing the urgency of your local needs and keeping in mind the comparative trend in Federal tax rates and debt in relation to the trends in local government, it is clearly our responsibility to manage our Federal financial affairs in such a manner as to leave you the utmost freedom of action.

As a starting point, let's take a look at the field of Federal revenues. All of us hear many complaints that the Federal Government drains off an increasingly larger percentage of the Nation's resources with the result that too little is left over for State and local governments. This argument is simply not true. Since the Korean War, Federal budget expenditures as a percent of gross national product have steadily declined -- from a level of about 20 percent at the end of the Korean War to about 16 percent today. In other words, at the end of the Korean War the Federal budget accounted for about 20 percent of our GNP. Today, it constitutes 16 percent of our GNP. Barring unforeseen demands for military expenditures, the President has indicated that he will submit to the Congress in January a budget which will probably amount to about 15 percent of the gross national product of the country. This should leave sufficient room for you local and State officials to raise the revenues you need without increasing the total burden on the American taxpayer. Thus, in the overall level of our national revenues we will attempt to provide for our national needs and still leave State and local governments elbow room to meet their financial requirements -- more room than you have had in the past decade.

The field of taxation is another area where you as local officials and we as federal officers share a mutual responsibility. In this century as the country has pulled closer together through transportation and communication advances, it has become apparent that certain types of taxes can be collected most efficiently by State and local governments and certain other types can best be collected by our national government. As a result, you local officials tend to rely principally on property and sales taxes, while we in the Federal Government get about 81 cents of our total tax dollar from the corporate and individual income tax. Here again all of us hear the argument that the Federal income tax should be abolished -- for some reason it is supposed to be un-American. The argument then usually goes ahead (if finished) to the conclusion that the

Federal Government should rely on sales taxes for its revenues. I am not going into the arguments pro and con on sales taxes; I merely want to point out that this is a tax which local and State governments can collect with relative ease. It is doubtful whether you could collect a net income tax on all incomes -- corporate as well as individual -- with equal facility. Business and incomes today flow across local boundaries and make it much more difficult to collect a net income tax except on a national basis. I might add that because of the international movements of American income, we in the Federal Government are having our difficulties collecting taxes due in this relatively new dimension.

It seems clear to me that if we are to discharge our Federal obligations without causing you local officials undue trouble and hardship, then we should rely on an income tax which we can collect efficiently, and leave the sales and property taxes to you. To those people who argue for a national retail sales tax, you might mention these figures. If we stripped the Federal Government to the bone and provided by a sales tax only the amounts budgeted for defense, space, and international affairs, the interest on our debt, and our contractual obligations to veterans (a total of almost $70 billion), throwing out agriculture, public works, housing, research, etc., we would still have to levy a national retail sales tax of about 30 percent. I can think of no more drastic interference in your local financial problems. We do not propose to cause you this added difficulty.

Debt management is another area of mutual problems. Our debt today stands at about $297 billion. This is a lot of money, but looked at in the perspective of our ability to pay, the picture becomes much more encouraging. At the end of World War II our debt was 116 percent of our gross national product. We owed more than we produced in one year. Today the debt is about 55 percent of the current annual rate of our gross national product (about $540 billion). In other words, the debt is a bit more than half of our annual production. I cannot say that the same picture is reflected in the figures on State and local indebtedness. Your debt has climbed 4.5 times (about 350 percent) while our debt was increasing about 14 percent. The result is that many local government units have just about exhausted their ability to borrow more money. Clearly we should not make your financing chores more difficult.

Recently there has been some uneasiness expressed in the country that we were preparing to strike down the tax-exempt status of municipal bonds. This uneasiness stemmed from two developments: one involving banks and the other insurance companies. In the past few months, local agents of Internal Revenue disallowed certain tax-exempt income claimed by banks. These agents were doing their duty under the law and ruled as they saw the facts. A review of these actions in our national office this week overturned these local decisions and supported the position of the banks.

Secondly, various insurance companies have insisted that an Internal Revenue ruling made under the previous administration tends to cloud the tax-exempt status of municipal bonds. They are urging us to change the ruling. So far we have not agreed. Wilbur Mills and his committee labored mightily to write into the tax laws provisions which would insure that insurance companies carry a fairer portion of the tax burden. These regulations were issued to implement that 1959 law. The statute says clearly that we cannot impose a tax on tax-exempt bonds. We believe that the regulations carry out the intent of the Congress to collect taxes -- not to impair the tax-exempt status of municipal bonds.

All of us in government today face difficult problems. I am not certain that our Federal problems are more difficult than your local problems. I detect no inclination in this Administration to ignore local and State problems. On the other hand, there is an overriding hope that you can discharge your local duties efficiently and well.

This is a Federal Government with divided responsibilities on all levels. We recognize this fact. But we also recognize that we share mutual problems. I can assure you that in Treasury we will try to make the discharge of your duties as simple as possible. If we get in your road, come tell us about it.

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Born in Oklahoma (studied at Oklahoma State University) He

Mr. Wallace received his A.B. Degree from the University of Washington, and his Ph.D. Degree from the University of Chicago. He is 40 years of age, and is married to the former Luna Agnes Campbell. Mr. and Mrs. Wallace and their three children reside at 2913 Argyle Drive, Alexandria, Virginia.

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Dec 27 1961

DRAFT PRESS RELEASE

Treasury Secretary Douglas Dillon today named his Special Assistant Robert A. Wallace of Park Forest, Illinois, to the post of Assistant to the Secretary of the Treasury.

In his new position, Mr. Wallace will represent the Secretary in interagency discussions in a number of important areas involving the work of the Treasury Department. As part of this task, he will be concerned with the application of economic analysis to the Treasury's responsibilities for fiscal planning.

Secretary Dillon has also directed that the Director of the Bureau of the Mint and the Chief of the United States Secret Service shall in the future report to him through Mr. Wallace. These two bureaus have been reporting to Secretary Dillon through Assistant Secretary A. Gilmore Flues, who retains general supervisory responsibility for four other operating bureaus of the Treasury. Mr. Wallace will continue to serve as the Department's Employment Policy Officer.

During 1959 and 1960, Mr. Wallace was a consultant to Senator Kennedy, and during the presidential campaign he was responsible for research on economic policies. From 1955 to 1959, he served as Staff Director of the Senate Committee on Banking and Currency. From 1949 to 1954, he was research associate to Senator Paul H. Douglas, of Illinois.

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 1, 1961

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 1, 1961

FOR IMMEDIATE RELEASE

ARNOLD E. LARSEN NAMED ADMINISTRATIVE ASSISTANT
TO THE COMPTROLLER OF THE CURRENCY

Comptroller of the Currency James J. Saxon today announced the creation of an Administrative Office within his Bureau. Mr. Arnold E. Larsen, formerly a national bank examiner in the Pacific Northwest and an Assistant Chief National Bank Examiner in the Washington office since May, 1957 has been designated to serve as Administrative Assistant to the Comptroller of the Currency and will head the newly created office. His duties will embrace important administrative procedures in the Washington office and also in the field.

oOo

James J. Saxon

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TREASURY DEPARTMENT

430

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D-315

For Immediate Release

Statement by U.S. Treasury regarding action by the Federal Reserve on Regulation Q

Dec 1, 196

~~DRAFT No. 2 - RVR 11/30/61~~

The Federal Reserve action on regulation Q makes it possible for commercial banks to pay somewhat higher rates of interest to people who save, and to foreigners who hold dollars here for a considerable period of time. In taking this action, the Federal Reserve Board is accomplishing in part, and by a different method, an objective sought by the Administration at the last session of Congress. That was to reduce strains on our balance of payments by removing altogether the Federal Reserve's ceiling on interest rates payable on the time deposits held in American banks by foreign governments and central banks. The effect of the action just taken should be, on balance, to help in attracting and retaining foreign funds, as well as encouraging savings. ~~It would thus appear to be a step in the direction of increased credit availability.~~

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 1, 1961

FOR IMMEDIATE RELEASE

STATEMENT BY U. S. TREASURY REGARDING ACTION
BY THE FEDERAL RESERVE ON REGULATION Q

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D-316

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, December 5, 1961.

December 4, 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 September 7, 1 and the other series to be dated December 7, 1961, which were offered on November 29, were opened at the Federal Reserve Banks on December 4. Tenders were invited for $1,100,000,000, or thereabouts, of 91-day bills and for $600,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing March 8, 1962		182-day Treasury bills maturing June 7, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.346 a/	2.587%	98.564 b/	2.840%
Low	99.335	2.631%	98.544	2.880%
Average	99.337	2.625% 1/	98.551	2.867% 1/

a/ Excepting one tender of $300,000; b/ Excepting one tender of $200,000
94 percent of the amount of 91-day bills bid for at the low price was accepted
92 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 38,578,000	$ 31,278,000	$ 5,797,000	$ 1,797,000
New York	1,671,393,000	769,593,000	773,354,000	424,154,000
Philadelphia	28,404,000	12,819,000	10,625,000	5,625,000
Cleveland	40,958,000	35,585,000	21,903,000	16,643,000
Richmond	17,537,000	15,471,000	7,182,000	7,182,000
Atlanta	17,957,000	15,047,000	7,419,000	7,019,000
Chicago	230,084,000	93,734,000	99,110,000	44,470,000
St. Louis	26,402,000	17,672,000	20,081,000	19,081,000
Minneapolis	22,992,000	14,872,000	7,479,000	5,979,000
Kansas City	51,234,000	43,604,000	33,030,000	30,022,000
Dallas	18,724,000	18,724,000	7,664,000	7,648,000
San Francisco	67,257,000	32,503,000	41,662,000	30,866,000
TOTALS	$2,231,520,000	$1,100,902,000 c/	$1,035,306,000	$600,486,000 d/

c/ Includes $209,672,000 noncompetitive tenders accepted at the average price of 99.337
d/ Includes $51,645,000 noncompetitive tenders accepted at the average price of 98.551
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.68%, for the 91-day bills, and 2.95%, 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-317 MM W.T.H.

TREASURY DEPARTMENT

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WASHINGTON, D.C.

OR RELEASE A. M. NEWSPAPERS,
uesday, December 5, 1961.

December 4, 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 September 7, 1961, nd the other series to be dated December 7, 1961, which were offered on November 29, ere opened at the Federal Reserve Banks on December 4. Tenders were invited for 1,100,000,000, or thereabouts, of 91-day bills and for $600,000,000, or thereabouts, of 82-day bills. The details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing March 8, 1962		182-day Treasury bills maturing June 7, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.346 a/	2.587%	98.564 b/	2.840%
Low	99.335	2.631%	98.544	2.880%
Average	99.337	2.625% 1/	98.551	2.867% 1/

a/ Excepting one tender of $300,000; b/ Excepting one tender of $200,000
94 percent of the amount of 91-day bills bid for at the low price was accepted
92 percent of the amount of 182-day bills bid for at the low price was accepted

OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 38,578,000	$ 31,278,000	$ 5,797,000	$ 1,797,000
New York	1,671,393,000	769,593,000	773,354,000	424,154,000
Philadelphia	28,404,000	12,819,000	10,625,000	5,625,000
Cleveland	40,958,000	35,585,000	21,903,000	16,643,000
Richmond	17,537,000	15,471,000	7,182,000	7,182,000
Atlanta	17,957,000	15,047,000	7,419,000	7,019,000
Chicago	230,084,000	93,734,000	99,110,000	44,470,000
St. Louis	26,402,000	17,672,000	20,081,000	19,081,000
Minneapolis	22,992,000	14,872,000	7,479,000	5,979,000
Kansas City	51,234,000	43,604,000	33,030,000	30,022,000
Dallas	18,724,000	18,724,000	7,664,000	7,648,000
San Francisco	67,257,000	32,503,000	41,662,000	30,866,000
TOTALS	$2,231,520,000	$1,100,902,000 c/	$1,035,306,000	$600,486,000 d/

Includes $209,672,000 noncompetitive tenders accepted at the average price of 99.337
Includes $51,645,000 noncompetitive tenders accepted at the average price of 98.551
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.68%, for the 91-day bills, and 2.95%, 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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not the corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, and the effect of the transaction on competition, including any tendency toward monopoly.

It is hoped that this hearing will result in a clarification of the issues involved and effective presentation of material pertinent thereto, so that the Comptroller will be better enabled to reach a sound decision in the light of his statutory responsibility. The hearing will be conducted informally, and will not be subject to the Administrative Procedure Act. All persons desiring to be heard will be afforded an opportunity to testify. Any person desiring to do so may file a statement for the record. It is hoped that the witnesses will confine their oral presentation strictly to the issues involved in the proposal before us, and will be as brief as possible. Where possible, and particularly where a witness has a lengthy prepared statement, it is desirable that he summarize his statement orally as much as he deems appropriate rather than reading the statement in its entirety. The full statement will, of course, go into the record, and will be considered by the Comptroller. All testimony and evidence accepted will be considered and will be accorded the weight to which in the judgment of the Comptroller it is entitled. The Comptroller of the Currency reserves the right to exclude any testimony not deemed pertinent to this application. The Comptroller also reserves the right for himself and members of his staff to point out unsubstantiated statements and to question any witness with respect to his testimony.

After the conclusion of this hearing the public file will be available for inspection by any interested person in Room 4120 of this Building. We cannot undertake to furnish copies of this file or any portion thereof to anyone. The transcript of these proceedings will subsequently be available from the reporter. The record will remain open until the close of business on December 11 for the receipt of additional documents.

TREASURY DEPARTMENT
Washington

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FOR RELEASE AFTER 10:00 A.M., EST
MONDAY, DECEMBER 4, 1961

OPENING REMARKS OF COMPTROLLER OF THE CURRENCY JAMES J. SAXON AT THE HEARING, DECEMBER 4, 1961 ON THE APPLICATION TO MERGE THE FIRST NATIONAL CITY BANK OF NEW YORK AND THE NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, NEW YORK

We regard this as an historic occasion in the near century-long existence of the Office of the Comptroller of the Currency. For the first time we are embarking upon a program of public procedures and public disclosure. We do this because we believe it to be in keeping with the democratic traditions of this nation.

We have no doubt whatever that democratic processes require that both proponents and opponents of matters pending formally before a Government agency should be afforded an opportunity by the agency to be heard publicly. We are convinced that this can be done in complete fairness to the banks which we supervise, and with due regard to those aspects of their business dealings which a supervisory agency has an obligation not to publicize.

It is our intention to use our best efforts to decide on matters before us with objectivity and fairness to all concerned. We shall do our utmost to make our decisions promptly, and we shall state publicly the reasons for our decisions.

We have before us this morning an application to merge the First National City Bank of New York and the National Bank of Westchester, White Plains, New York. The application before us has been submitted under the so-called Bank Merger Act of 1960. The question we must consider is whether this merger will be in the public interest in the light of the statutory factors enumerated in that Act. The Comptroller's decision must be made on the basis of a consideration of all of these factors, with no single factor being conclusive. The factors to be considered are the financial history and condition of the banks involved, the adequacy of their capital structure, the future earnings prospects, the general character of the management, the convenience and needs of the community to be served, whether or

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TREASURY DEPARTMENT
Washington

FOR RELEASE AFTER 10:00 A.M., EST
MONDAY, DECEMBER 4, 1961

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It is hoped that this hearing will result in a clarification of the issues involved and effective presentation of material pertinent thereto, so that the Comptroller will be better enabled to reach a sound decision in the light of his statutory responsibilities. The hearing will be conducted informally, and will not be subject to the Administrative Procedure Act. All persons desiring to be heard will be afforded an opportunity to testify. Any person desiring to do so may file a statement for the record. It is hoped that the witnesses will confine their oral presentation strictly to the issues involved in the proposal before us, and will be as brief as possible. Where possible, and particularly where a witness has a lengthy prepared statement, it is desirable that he summarize his statement orally as much as he deems appropriate rather than reading the statement in its entirety. The full statement will, of course, go into the record, and will be considered by the Comptroller. All testimony and evidence accepted will be considered and will be accorded the weight to which in the judgment of the Comptroller it is entitled. The Comptroller of the Currency reserves the right to excluse any testimony not deemed pertinent to this application. The Comptroller also reserves the right for himself and members of his staff to point out unsubstantiated statements and to question any witness with respect to his testimony.

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~~BETA -- 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.

Banking institutions generally may submit tenders for account of customers

provided the names of the customers are set forth in such tenders.

~~BEXAXXMODIFIED~~

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 September 14, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on March 15, 1962 ~~(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 December 14, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 14, 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~~

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~XXXXXXXX~~ December 6, 1961

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ (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 $ 1,700,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing December 14, 1961 (3), in the amount of $ 1,701,376,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued December 14, 1961 (6), in the amount of $1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated September 14, 1961 (8), and to mature March 15, 1962 (9), originally issued in the amount of $ 600,608,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 600,000,000 (12), or thereabouts, to be dated December 14, 1961 (13), and to mature June 14, 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 amoun 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 (maturit value).

Tenders will be received at Federal Reserve Banks and Branches up to the closin hour, one-thirty o'clock p.m., Eastern Standard time, Monday, December 11, 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.

December 6, 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, or thereabouts, for cash and in exchange for Treasury bills maturing December 14,1961, in the amount of $1,701,376,000, as follows:

91-day bills (to maturity date) to be issued December 14, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated September 14,1961,and to mature March 15, 1962, originally issued in the amount of $ 600,608,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated December 14,1961, and to mature June 14, 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).

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 September 14, 1961 (91-days remaining until maturity date on March 15, 1962) 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 December 14, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 14, 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.

December 6, 1961

IMMEDIATE RELEASE

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING OPEN TO HOLDERS OF SERIES F AND G SAVINGS BONDS MATURING IN 1962

The Treasury announced today that on the basis of preliminary reports holders of $314 million of the $970 million of outstanding Series F and G savings bonds maturing in 1962 have exchanged their bonds for the 3-7/8% Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968. The bonds exchanged include $46 million of Series F and $268 million of Series G.

The 3-7/8% bonds constitute an additional amount to the $3,137 million of such bonds (including $375 million held by Federal Reserve Banks and Treasury investment accounts) now outstanding. The bonds were offered to holders of Series F and G bonds maturing in 1962 at a price of 98.50%, with certain interest and other adjustments as of December 15, 1961. The subscription books were open for the receipt of subscriptions from all classes of subscribers from November 20 through November 24, 1961, and in addition, subscriptions were received from individuals through November 30, 1961.

A final report of exchanges by Federal Reserve Districts will be made later this month.

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December 6, 1961

IMMEDIATE RELEASE

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING
OPEN TO HOLDERS OF SERIES F AND G SAVINGS BONDS MATURING IN 1962

The Treasury announced today that on the basis of preliminary reports holders of $316 million of the $970 million of outstanding Series F and G savings bonds maturing in 1962 have exchanged their bonds for the 3-7/8% Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968. The bonds exchanged include $48 million of Series F and $268 million of Series G.

The 3-7/8% bonds constitute an additional amount to the $2,157 million of such bonds (including $376 million held by Federal Reserve Banks and Treasury investment accounts) now outstanding. The bonds were offered to holders of Series F and G bonds maturing in 1962 at a price of 99.80% with certain interest and other adjustments as of December 15, 1961. The subscription books were open for the receipt of subscriptions from all classes of subscribers from November 20 through November 24, 1961, and in addition, subscriptions were received from individuals through November 30, 1961.

A final report of exchanges by Federal Reserve Districts will be made later this month.

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D-320

IRS is communicating with the companies and associations whose assistance will be asked.

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These studies will, therefore, provide a broad range of information on actual and prospective technological change and rates of obsolescence of capital equipment of industry in general. This information will be used by the Treasury to supplement its own statistical studies of current depreciation practices.

The Department expects to announce revised depreciation schedules for major assets for all industries by the spring of 1962. No change will be made in depreciation guidelines for any specific industry prior to that date.

Additional engineering studies covering other industries will be started as soon as possible. ¶ In cases where they are not completed prior to announcement of the revisions, the information developed ~~undertaken in the near future, although it is not anticipated that they~~ will be completed prior ~~to announcement of the revised depreciation schedules for all industries. Information developed in the subsequent studies~~ will be used to make adjustments in the new depreciation schedules, ~~in cases~~ where the studies show justification for such changes.

Studies of this nature will be a continuous part of the process of keeping the depreciation schedules as realistic as possible in the light of technological changes.

The six-industry study is scheduled for completion by the latter part of January, 1962. Secretary Dillon is asking ~~asked~~ each of the approximately 50 companies and associations involved to cooperate with the IRS engineers assigned to the study so that the deadline will be met.

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announces Internal Revenue to

December ~~5~~ 6, 1961

FOR IMMEDIATE RELEASE

~~PROPOSED PRESS RELEASE~~

TREASURY ~~MAKING~~ DEPRECIATION STUDY OF SIX MAJOR INDUSTRIES

Treasury Secretary Douglas Dillon announced today that the Internal Revenue Service will undertake special engineering studies of six major industries as part of the Department's review of depreciation schedules for all industries.

IRS engineers will examine the "useful lives" of major types of machinery and equipment in the following industries: aircraft and parts manufacturers; automobile manufacturers; electrical machinery and equipment manufacturers; metal working machinery and machine tools; railroads; and steel mills.

The six were selected because they are large, basic industries and because, among them, they represent major types of U. S. business activity. They also differ widely in their level of automation and their recent experience with technological change.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 6, 1961

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES INTERNAL REVENUE DEPRECIATION STUDY OF SIX MAJOR INDUSTRIES

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These studies will, therefore, provide a broad range of information on actual and prospective technological change and rates of obsolescence of capital equipment of industry in general. This information will be used by the Treasury to supplement its own statistical studies of current depreciation practices.

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Additional engineering studies covering other industries will be started as soon as possible. In cases where they are not completed prior to announcement of the revisions, the information developed will be used to make adjustments in the new depreciation schedules, where the studies show justification for such changes.

Studies of this nature will be a continuous part of the process of keeping the depreciation schedules as realistic as possible in the light of technological changes.

The six-industry study is scheduled for completion by the latter part of January, 1962. Secretary Dillon is asking each of the approximately 50 companies and associations involved to cooperate with the IRS engineers assigned to the study so that the deadline will be met.

IRS is communicating with the companies and associations whose assistance will be asked.

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from the Harlem Evening High School. Mrs. Jones was awarded Bachelor and Master degrees in Business Administration by the City College of New York in 1943 and 1957. She has recently been working toward a Ph.D. in Economics at the Graduate School of Business at New York University. She is a member [redacted] of the American Economic Association and the American Association of University Women.

Mrs. Jones is the wife of J. Raymond Jones of New York City.

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MRS. RUTH H. JONES NAMED COLLECTOR OF CUSTOMS FOR VIRGIN ISLANDS

Treasury Secretary Douglas Dillon today announced the appointme of Mrs. Ruth Holloway Jones of New York City, as Collector of Custom at St. Thomas, Virgin Islands, effective December 11, 1961.

Mrs. Jones has been employed by the Internal Revenue Service in New York for more than 25 years. She entered the Service as a typist and comptometer operator in the 3rd Collection District of New York City in August 1935. At the time of her appointment as Collector of Customs she was an Internal Revenue Agent, Reviewer and Instructor in the Office of the Director of Internal Revenue, ~~[illegible]~~ Manhattan District. Included among the various positions Mrs. Jones has held with the Service are Assistant Head of the Correspondence Unit, Tax Accountant, and Auditor and Group Supervisor of Office Auditors. She has been awarded certificates by the Revenue Service for Instructor Training Workshop and Audit Specialist Instructor Training.

Born in New York City on June 27, 1908, Mrs. Jones received her early education in public schools there, and in 1935 was graduated

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TREASURY DEPARTMENT 451

WASHINGTON, D.C.

December 7, 1961

FOR IMMEDIATE RELEASE

MRS. RUTH H. JONES NAMED COLLECTOR
OF CUSTOMS FOR VIRGIN ISLANDS

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Born in New York City on June 27, 1908, Mrs. Jones received her early education in public schools there, and in 1935 was graduated from the Harlem Evening High School. Mrs. Jones was awarded Bachelor and Master degrees in Business Administration by the City College of New York in 1943 and 1957. She has recently been working toward a Ph.D. in Economics at the Graduate School of Business at New York University. She is a member of the American Economic Association and the American Association of University Women.

Mrs. Jones is the wife of J. Raymond Jones of New York City.

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friendship for which we are all in his debt.

Upon completion of his tour in ~~Washington,~~ our Capital he took on his present duties as Chairman of one of Britains great commercial banking institutions -- Lloyds Bank. And now we hear that once again he is going back to his first love - education - this time as Provost of Worcester College, at Oxford.

So you see in Oliver Franks a man who in less than fifty years reached the peak in three separate and distinct caree education, government service and private business. Truly a remarkable record.

It is typical of Oliver Franks that he also found the time to maintain his at the outbreak of war. There he rendered outstanding service to the allied cause. At the end of hostilities he became Permanent Secretary of the Ministry, one of the highest positions open to a British civil servant. But he could not long resist his original calling. 1946 found him back at Oxford, this time as Provost of Queen's College from which he had graduated some 20 years earlier.

An exceptional academic life opened up before him, but this was not to be as two years later he was once again drafted by his government -- this time to serve as Ambassador to the United States. During his four years in Washington he made a memorable contribution to Anglo-American

TREASURY DEPARTMENT
Washington

December 7, 1961

FOR RELEASE AM NEWSPAPERS
FRIDAY, DECEMBER 8, 1961

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE MEDICAL PROGRESS DINNER* OF THE NEW YORK HOSPITAL-CORNELL MEDICAL CENTER, NEW YORK COLISEUM, NEW YORK CITY, THURSDAY, DECEMBER 7, 1961, 6:30 P.M., EST

It is a great pleasure for me to meet once again with my old friends of the New York Hospital and Cornell Medical School after a nine year interlude. I am particularly happy to be here tonight when this great new effort for Medical Progress is being launched. And, I feel it a great honor to have the privilege of introducing your next speaker. Oliver Franks has had a great career and can look forward to many further triumphs.

Starting life as an educator, he was called to the British Ministry of Supply

TREASURY DEPARTMENT
Washington

December 7, 1961

FOR RELEASE AM NEWSPAPERS
FRIDAY, DECEMBER 8, 1961

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE
MEDICAL PROGRESS DINNER OF THE NEW YORK
HOSPITAL-CORNELL MEDICAL CENTER,
NEW YORK COLISEUM, NEW YORK CITY
THURSDAY, DECEMBER 7, 1961, 6:30 P.M., EST

It is a great pleasure for me to meet once again with my old friends of the New York Hospital and Cornell Medical School after a nine year interlude. I am particularly happy to be here tonight when this great new effort for Medical Progress is being launched. And, I feel it a great honor to have the privilege of introducing your next speaker. Oliver Franks has had a great career and can look forward to many further triumphs.

Starting life as an educator, he was called to the British Ministry of Supply at the outbreak of war. There he rendered outstanding service to the allied cause. At the end of hostilities he became Permanent Secretary of the Ministry, one of the highest positions open to a British civil servant. But he could not long resist his original calling. 1946 found him back at Oxford, this time as Provost of Queen's College from which he had graduated some 20 years earlier.

An exceptional academic life opened up before him, but this was not to be as two years later he was once again drafted by, his government -- this time to serve as Ambassador to the United States.

During his four years in Washington he made a memorable contribution to Anglo-American friendship for which we are all in his debt.

Upon completion of his tour in our capital, he took on his present duties as Chairman of one of Britains great commercial banking institutions -- Lloyds Bank. And now we hear that once again he is going back to his first love -- education -- this time as Provost of Worcester College, at Oxford.

So you see in Oliver Franks a man who in less than fifty years reached the peak in three separate and distinct careers; education, government service and private business. Truly a remarkable record.

It is typical of Oliver Franks that he also found the time to maintain his keen interest in medical progress. Since 1958, he has been Chairman of the Board of Governors of the United Oxford Hospitals. His interests are catholic. His deep feeling for his fellow human beings, combined with his expert knowledge of economics and finance, have made of him one of the world's leading authorities on what may well prove to be our most crucial problem -- economic development. To all of this he adds a grace and charm of manner which make of him one of the free world's first citizens. We are grateful to him for coming here tonight to talk to us. I give you the Right Honorable Sir Oliver Franks.

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of all of our national objectives at home or abroad. You have an interest in seeing to it that your government is amply equipped and thoroughly geared to take prompt action when it is required.

Progress in forging better policies in these ten directions will not solve all our problems. But I have every confidence that advances can and will be made, with government and industry, as they have always done, rising together to meet a common challenge to the country for which both share a never-ceasing responsibility.

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deserves increased attention as a growing supplement to government-to-government loans and grants.

Ninth, all our efforts to support our role in Free World security and development and live successfully in the trading area of the ~~Atlantic community,~~ Free World, rather than separate from it, will be fruitless if we ignore one danger of paramount importance -- the need to stay competitive in price and quality. That means government and industry must cope effectively with the threat of inflation.

This requires price and wage restraint by industry and labor, and responsible budget policies by government. A key element in meeting the era of change and challenge is the ability of labor and industry to work together to increase productivity, to maximize the benefits and reduce the hardships of automation, to expand our export trade

On the international front new trade bargains between the United States and Western Europe should to commitment to also take into some account burden-sharing in Free World security and the economic development and successfully the trade of the less developed countries. Reciprocal action in the removal of trade and investment restrictions of a nontariff character is also important, as well as the association of progress in trade with the achievement of better wages, working conditions and other social objectives where substandard conditions prevail. Also, the need for improved Allied coordination in trade with the Sino-Soviet Bloc should be considered lest politically motivated state ~~State~~ Trading techniques be used to ~~trade~~ weaken the Western Alliance. Likewise, the role of ~~the~~ private ~~sector,~~ ~~of~~ business and industry in ~~the field of~~ foreign aid and the development of ~~the~~ less developed countries ~~and~~

The transition and consequent adjustment to new trade and competitive conditions will be facilitated if ~~[illegible]~~ conducted in an atmosphere of healthy economic growth and full employment. Care must be taken to maintain a strong industrial base. I do not believe that the ~~gradual~~ adjustment necessary under the President's new policy will cause the elimination of industries or viable economic communities. Rather, that policy will assure opportunities for a stronger U. S. industrial economy -- with a place in markets at home and abroad grounded primarily on U. S. based production rather than ~~branch plants~~ subsidiary plants located primarily to get behind tariff walls abroad. The process of adjustment to increased trade competition ~~must~~ should be a movement for less interference by government in the marketplace rather than merely a substitution of permanent subsidies for trade restriction.

The combined output of purchasing power of the United States and Western Europe is more than twice as great as that of the entire Sino-Soviet Bloc. Though we have only half as much population, far less than half as much territory, our coordinated economic strength will represent a powerful force for the maintenance and growth of freedom.

While sharp disagreements on method and degree are certain, let us hope that the debate will be conducted on the high plane of adapting our trade policies to the requirements of Free World security.

Eighth, The new programs of trade and trade regulation which will follow upon any trade and tariff bargains struck with Western Europe will have to be integrated carefully into both the fabric of national policy and coordinated Free World policy.

More than purely trading considerations are involved. If American industry cannot increase its sales through an enlarged common market, and increase this nation's surplus of exports over imports, our international payments position and our commitments for the defense of freedom will be endangered.

No, the issue that will be laid before the Congress is not the traditional one of free trade or protection for American industries. As President Kennedy put it yesterday to the NAM, "If the nations of the West can weld together on these problems a common program of action as extraordinary in economic history as NATO was unprecedented in military history, the long-range communistic aim of dividing and encircling us all is doomed to failure."

American manufacturers to increase their ability [9A] to compete with foreign producers, both at home and abroad.

Yesterday, the President announced a new economic initiative to enable the U. S. to keep pace with the revolutionary changes in the trading world described earlier. He called for a new and bold instrument of American trade policy. He pointed out that 90 per-cent of the Free World's industrial production may soon be concentrated in two locations — the U. S. and an expanded European common market. ~~He pointed out that,~~ With the accession of the United Kingdom and a few other European nations, the common market will have almost twice as many people as the United States ~~we do~~ — and cover nations whose economies have been growing twice as

Fortunately, the world has entered into an entirely new trading era which holds out considerable promise for our exporters. In Europe and other parts of the world, thousands of American products are still entirely unknown. American business is just beginning to probe huge potential markets for these products. Success in selling them will require bold enterprise and skillful competition.

as to sustain the U. S. role in Free World security and development and the soundness of the dollar as a reserve currency as ~~has~~ already been emphasized.

Here, if ever, there is a need for joint effort. This is where American industry faces up to a great new challenge. Despite everything government can do, expanding our exports and maintaining our position with regard to imports in competition with foreign producers without raising new trade barriers will not be easy. I don't have to tell you that our friends in Europe and Japan are alert and resourceful competitors. We will need up to date machinery, expert merchandising and topflight sophisticated salesmanship, and we will have to employ the latest competitive techniques to do the job.

While at the national level this involves primarily the Treasury, the Federal Reserve System, private banks and financial institutions, it is also of direct concern to those who have the responsibility for meeting the financing needs in business and industry. On the international level the newly organized Organization for Economic Cooperation and Development, The International Monetary Fund, The Inter-American Bank, the new AID Agency, and the World Bank, are of direct concern to those who trade abroad or look to increasing market opportunities in the less developed countries. These agencies and programs deserve the strong support of responsible leaders in business and industry.

Seventh, government and industry should foster the expansion of our merchandise trade surplus so retraining and work opportunities for these young people is a common task and responsibility for all of us. The price of failure will be high not only in economic waste but in squandered individual and national potential.

Many of these programs, particularly those in education and training, contribute directly to economic growth. All of them are necessary in a society which protects the human dignity of its citizens.

Sixth, there should be a continuing coordination of monetary and fiscal policy at the national and international level to provide adequate credit ~~for growth~~ on reasonable terms and assure the smooth functioning of the international trade and payments system.

Fifth, they should intensify a program for increasing productivity through more efficient use of manpower. The first and basic step is, of course, to minimize unemployment. Also important Only ~~is~~ improved education and manpower development, the upgrading of the work force, training and retraining, the elimination of discrimination based on ~~for reasons of~~ color, age or ~~and~~ sex, and a persistent drive against both management and labor featherbedding.

A basic component of any program for accelerated growth must be investment in an extension of knowledge the general education of the population. Business and industry, as well as government, have a very real responsibility in both education and worker re-training. The President's program for aid to

President announced last April his intention to do his part in this effort as soon as his specific "first step" proposals clear the Congress. Nothing has occurred to change that plan.

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type of investment to long-term growth: the level of investment in machinery and equipment during the 1950's was about ~~six~~ 6 percent of gross national product in the United States, 11 percent in West Germany, 11 percent in Holland, 9 percent in Italy, 8 percent in France, and 13 percent in Japan.

Growth rates — in terms of gross national product — not unexpectedly followed the same pattern, to the relative disadvantage of the United States.

Fourth, they should follow depreciation reform next year with all-out effort to revise and reform the basic structure of the personal and corporate income tax. We need to re-examine the rates, eliminate the inequities, close unwarranted loopholes, and provide a broader and more uniform tax base. Only in this fashion can the long-sought tax policy for growth be achieved. The

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major foreign competitors remained the same or dropped. And -- a most important lesson -- the success of Japan, Italy, France, and West Germany in stabilizing export prices was not the result of a slower rate of wage increase, but rather, of a faster rise in productivity.

Depreciation reform will also contribute to our domestic economy. Equipment modernization and greater investment will add momentum to our current recovery by stimulating the machine tool and allied industries and by providing more jobs. And it will increase our long-range growth potential by broadening our industrial base and by increasing our export markets.

A few figures illustrate the importance of this with their European competitors. Therefore, we are proposing a second step in the form of an across-the-board tax credit for investment in new industrial equipment that we hope the Congress will approve next year.

This double incentive for American manufacturers to modernize their equipment will put them once again on a comparable basis with European industry, which has benefited for some time from liberal tax treatment as a stimulus to modernization. Modern machinery will make our goods more competitive with goods manufactured abroad by lowering our unit costs. This is important because, in recent years, our export prices for manufactured products rose sixteen percent between 1953 and 1959, while prices of exports by most of our of machinery and equipment. To this end the Treasury Department, supported by the President, is pursuing a depreciation reform program consisting of two steps. The first is ~~Firstly~~ a realistic and modernized set of depreciation schedules for productive equipment, taking into account recent technological advances. Our studies in this area have already resulted in a forty percent reduction from twenty-five to fifteen years in the Internal Revenue Service's guidelines for the depreciation "lives" of equipment utilized in the textile industry. We anticipate that these studies will justify substantial changes for other industries when they are completed this winter or next spring.

That reform, helpful though it will be, will not of itself put American producers on a fair footing that an economy at a full employment level with its consequent maximization of consumer demand will take up some of the existing slack, paving the way for capacity expansion.

Second, they should seek to expand research and development and increase the private incentives and capital formation which is needed to translate technological advances into new products and services. A renewed emphasis on individual income incentives and increasing corporate profits and cash flows is basic to the devotion of a much higher proportion of total output to business fixed investment -- a necessity for healthy growth and increasing productivity. Tax and budget policy are the tools necessary to this emphasis.

Third, they should give a first priority to increasing investment for modernization and/or expansion

These four primary ~~factors of danger, challenge and change --~~ the evolving role of U. S. industry as a national security base, the need for an increased rate of economic growth, the expansion of market areas and competition, and the achievement of a reasonable balance of international payments -- create new national policy imperatives for both industry and government to meet the danger and the challenge of this changing time.

These policies should not be isolated strands, and spinning off in all directions. Rather, they should be tied together into a single program.

What are some of the policies that industry and government should fashion together?

First, they should work together to complete the economic recovery, which is now well under way, so our international payments. Long-term measures are required to achieve the eventual elimination of this basic deficit.

There is a related facet of the problem -- preventing or neutralizing sudden disruptive movements of short-term capital -- so-called "hot money" flows -- caused by such temporary factors as disparities in interest rates between countries and speculation against the dollar. We have gone far toward solving this part of the problem. But the elimination of the basic deficit is still to be accomplished.

Eliminating the basic deficit will ultimately depend on our ability to expand our trade surplus by increasing our exports. Expansion of our sales abroad has become an urgent national need.

surplus to counterbalance our essential expenditures abroad? These expenditures include the cost of our military forces overseas, that portion of our foreign aid which is not spent for American products or services, and private American long-term investment overseas.

Our trade surplus -- the excess of commercial exports over imports of goods and services -- is large. It was $4.8 billion last year. But that surplus was still $2 billion short of the amount needed to offset the balance of payments impact of our vital overseas programs.

This shortfall between our commercial surplus with other countries and our major nontrade payments to other countries constitutes the basic deficit in which has been running in deficit. This is a relatively new problem for us -- one that we became acutely conscious of in the three-year span from 1958 through 1960 when our payments deficits totaled $11 billion and led to the loss of $5 billion from our gold supply.

Today, it has become necessary that we conduct both our public and private international financial transactions with our balance of payments in mind. We must concern ourselves not only with how to ~~meet~~ budget our overseas expenditures, but also with finding ways to eliminate the impact of those expenditures on our balance of payments.

The heart of our international payments problem is this: how can we generate a large enough trade possibly nothing less than the continued existence of individual liberty.

~~We cannot~~ To meet our responsibilities, ~~unless~~ we must make the most of our economic and financial resources. We must achieve ~~by achieving~~ an adequate growth rate. ~~at home, by~~ We must avert~~ing~~ inflation. ~~and by~~ We must eliminat~~ing~~e excessive unemployment. a.d., It is equally important that we maintain the soundness of the dollar as the key reserve currency in the Free World trade and payments system and attain reasonable equilibrium in our international balance of payments.

The fourth primary factor of change and challenge affecting U. S. Government and industry is our balance of payments — the accounting that reflects all of our trade and financial relations with the outside world —

Confronted by the threat of economic and political penetration of the less developed areas and the threat of political or military intimidation of the industrialized societies of Western Europe and Japan by the U.S.S.R., the United States has had to accept and must continue to discharge its enormous responsibilities for the security and development of the Free World.

To fulfill these responsibilities our Nation must maintain the military power to deter aggression, including our bases overseas and forces deployed in many parts of the world. We must also sustain effective programs of economic assistance to the newly developing nations that will help them to grow in freedom. The cost is high, but so are the stakes --

While the Sino-Soviet Bloc is largely closed as a market, it is beginning to penetrate some markets in competition with U. S. industry and our allies.

Dramatic as has been the expansion of market opportunities and the growth of competition abroad during the last decade, the future will witness even greater expansion.

and competition between products and industries ~~has~~ have made new markets and new competition the normal pattern for industry in the United States. and our

Today, this factor has taken on an international importance. expansion of market

The emergence and success of the European Common Market and the European Free Trade Association, and the rapid development of markets and competition in other industrialized areas such as Canada and Japan, are well recognized. ~~by the chemical industry~~.

The launching of the Alliance for Progress with Latin America, and the emergence of new markets and competition in the less developed countries -- from populous India to some of the smaller states of Africa present another type of challenge and opportunity.

The postwar period has brought to American industry -- particularly the great chemical industry of which you are a part -- new markets and new competition. Intensified research and development have opened new markets and expanded existing ones. It has been estimated that your own industry has spent more money for research, per sales dollar, than any other. It has also been estimated that more than 50 percent of the products now sold by the industry were not in commercial production -- and, indeed, many were not known -- in 1939. In addition to the changing pattern of market and competition resulting from research and development, diversification, area development and redevelopment --

During the latter part of the Fifties, our growth rate fell below 3 percent. President Kennedy has said that a growth rate of 4-1/2 percent is well within our capability. Given the increases in our labor force that are ahead, and the expanded productivity we have a right to expect from our advanced technology and skilled work force, it is certainly a realistic goal if -- a most important if -- there are the increasing investment levels in plant, machinery, equipment and facilities of which American industry is capable and the market demand for the outpu

A third basic factor of change and challenge is the expanding area of markets and competition involving new patterns of trade.

atmosphere of freedom for the uncounted billions of human beings who will be born in the decades ahead in Asia, Africa and Latin America. Without help they face poverty, illiteracy and misery.

We also need this increased rate of economic growth to provide employment opportunities for the twenty-six million young people who will enter the labor force between now and 1970.

Yet, in recent years, the very time when the United States has most needed to marshal its economic resources, our growth rate has been lagging. During the Fifties, while the U. S. was growing at less than 3-1/2 percent a year in terms of gross national product, Free Continental Europe was growing at nearly 5 percent, the Soviet Union at better than 6 percent, and West Germany and Japan at between 7 and 9 percent.

the attainment and utilization of superior economic power. Military power is derived from economic strength and foreign policy is based on both. The greater our economic strength and rate of growth and that of our allies, the more effective is our defense against aggression, no matter what form it may take. ¶ In addition to various military measures, this economic strength permits the carrying out of a positive foreign economic policy which will preserve our alliances and increase the development of freedom in the uncommitted world.

~~This Nation needs an increased rate of economic growth.~~ ~~We need it to provide an improved standard of living for our own people.~~ For example, it is needed ~~We also need it~~ to help in creating an economic and political future in an

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This statement against a contemporary background points up the need for an increased rate of economic growth based on an expansion of industrial output, capacity and productivity.

This is needed to provide the basic strength that will keep the Nation ahead of potential enemies who seek to "bury" us either by outright aggression or

c. the economic growth of the Sino-Soviet Bloc and its pattern of allocation of increasing resources to military strength and heavy industrial development.

d. the implications of the growth of Sino-Soviet economic power to affect the course of development of the uncommitted or less developed peoples.

To illustrate the second basic factor of change and challenge affecting U. S. industry and government we need ~~only to~~ call only one witness. In his ten-hour speech to the 21st Congress of the Communist Party in February 1959, Khrushchev summarized his assessment of the situation in these words:

Today it is not enough for our industrial power to stand resplendent in its superior potential -- given a two-year atom-free all-out mobilization. Our industrial economy must be used every day in many ways to maintain and protect our national security. Some specific economic considerations of vital concern to U. S. industry suggest themselves, namely:

a. non-war uses of economic strength for national security overseas.

b. the economics of maintaining or expanding our current rate of national security expenditures in the framework of our other national goals.

security are outmoded in 1964. It is appropriate to recall this quotation from Arnold Toynbee's "A Study of History:"

"Each link has been a cycle of invention, triumph, lethargy and disaster; and, on the precedents thus set by three thousand years of military history, from Goliath's encounter with David to the piercing of a Maginot line and a West Wall by the thrust of mechanical cataphracts and the pin-point marksmanship of archers on winged steeds, we may expect fresh illustrations of our theme to be provided with monotonous consistency as long as mankind is so perverse as to go on cultivating the art of war."

Meanwhile, weapons and delivery systems of cataclysmic power have been developed. These are an now inescapable part of our current environment.

¶ Our national security policy must utilize the economic and industrial power of the United States in ever new ways as well as old, ~~to assure that~~ we must never fall behind in the awful race of weaponry, ~~both~~ either technologically or in terms of a force in being. We can no longer rest comfortably behind a shield of thousands of miles of water and space, confident that time and opportunity to summon our full industrial power will ultimately tip the scales. The fact is that some of the 1945 concepts of the relationship of industrial supremacy to national

Now, in the 1960's, our Nation is confronted by a danger which clearly calls for a ~~revaluation~~ re-evaluation and revitalization of the role of U. S. industry in national security.

Our Nation is threatened by the rulers of one-third of mankind, for whom the State is everything, and who seek the permanent subordination of individual liberty. Supporting this aim is the Soviet Union's great and swiftly growing economic strength, its marked industrial and military advance, and a similar potential in Red China. This force is supplemented by a considerable capacity for economic penetration and political organization and propaganda which ~~uses~~ is using the desire of the underdeveloped nations to escape from poverty as a means to spread the communist doctrine.

~~the capacity of U. S. industry to respond to a challenge. As one who worked for many years in private life with many elements of national industry, including the U. S. chemical industry, I can testify to the ability of American industry to meet new competition and seize new opportunities. There never was a time when so many factors combined to demand this response.~~

The first of these factors is the changing role of U. S. industry in our national security at a time when we are confronted by the challenge of the Sino-Soviet Bloc.

The power and capacity of U. S. industry to protect our national security has been proved in the crucible of two World Wars.

a decisive role in developing and defending the Free World. Industry also shares with labor responsibilities in setting prices and wages that have a direct bearing on the magnitude of these trade surpluses.

The health, welfare and profit-making character of U. S. industry is not only important to the domestic economy. It is also the best hope for freedom and the best example for progress abroad.

Let us consider some of the new factors ~~problems~~ facing American industry and government -- as well as some of the new imperatives and directions of national policy.

~~As many of you present know, I come here as an old friend in a new role. I participated in two industrial mobilizations, and I can bear witness to~~

American industry and commerce create the wealth and jobs that provide the great bulk of the revenue for our system of public finance. ~~It~~ Industry conducts and finances much of the Nation's research and development, which create new products, new processes, new jobs, new consumption of goods and services, and, most important, new instruments for keeping the peace. It furnishes much of the self-generated capital in profits, depreciation reserves and personal savings with which new facilities are procured for the increase in capacity and productivity that make possible our economic growth.

American industry produces the goods and services to maintain our vital export lifeline and create the trade surpluses which enable the United States to play

President, it is coordinating a program to eliminate the deficits in our balance of payments which since 1957 have strained the dollar, the key reserve currency in the Free World trade and payments system. It seeks to avoid alternative periods of inflation and recession -- or the unprecedented concurrence of both in recent years, in what the economists term "cost-push" or "market power inflation". Either inflation or recession would frustrate the Department's objective of avoiding deficits in budgets or balances of payments.

become a mutual pursuit.

The Treasury Department is particularly concerned with furthering cooperation and understanding between government and industry. In these times, the Treasury can discharge its responsibilities for the sound financial management of the Nation's affairs to best advantage if there is a relationship between government and industry which breeds teamwork in the national interest while tolerating honest differences of opinion

[~~The Treasury shares industry's desire to promote a healthy rate of economic growth with full employment which, among other things, will facilitate the financing on a sound budgetary basis of the expanding public expenditures for national security and national public services.~~ At the direction of the

TREASURY DEPARTMENT
Washington

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REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE ANNUAL DINNER OF THE SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION, HOTEL ROOSEVELT, NEW YORK, NEW YORK, THURSDAY, DECEMBER 7, 1961, 7:00 P.M., EST

This is a time of danger, of change, of challenge, of new competition, and of opportunity -- a time when free men and free nations bear enormous responsibilities. As Americans, we bear them proudly. We must meet them together and we must meet them wisely.

For that reason, this Administration welcomes such opportunities as this to share views with business and industry on how to meet these responsibilities. Common purpose and coordinated action will follow.

In a hot war, government and industry are drawn naturally together by the national peril. In the cold war with communism, the coordination of private business interest with the national interest should

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The Treasury Department is particularly concerned with furthering cooperation and understanding between government and industry. In these times, the Treasury can discharge its responsibilities for the sound financial management of the Nation's affairs to best advantage if there is a relationship between government and industry which breeds teamwork in the national interest while tolerating honest differences of opinion.

American industry and commerce create the wealth and jobs that provide the great bulk of the revenue for our system of public finance. Industry conducts and finances much of the Nation's research and development, which create new products, new processes, new jobs, new consumption of goods and services, and, most important, new instruments for keeping the peace. It furnishes much of the self-generated capital in profits, depreciation reserves and personal savings with which new facilities are procured for the increase in capacity and productivity that make possible our economic growth.

American industry produces the goods and services to maintain our vital export lifeline and create the trade surpluses which enable the United States to play a decisive role in developing and defending the Free World. Industry also shares with labor responsibilities in setting prices and wages that have a direct bearing on the magnitude of these trade surpluses.

The health, welfare and profit-making character of U. S. industry is not only important to the domestic economy. It is also the best hope for freedom and the best example for progress abroad.

Let us consider some of the new factors facing American industry and government -- as well as some of the new imperatives and directions of national policy.

The first of these factors is the changing role of U. S. industry in our national security at a time when we are confronted by the challenge of the Sino-Soviet Bloc.

The power and capacity of U. S. industry to protect our national security has been proved in the crucible of two World Wars.

Now, in the 1960's, our Nation is confronted by a danger which clearly calls for a re-evaluation and revitalization of the role of U. S. industry in national security.

Our Nation is threatened by the rulers of one-third of mankind, for whom the State is everything, and who seek the permanent subordination of individual liberty. Supporting this aim is the Soviet Union's great and swiftly growing economic strength, its marked industrial and military advance, and a similar potential in Red China. This force is supplemented by a considerable capacity for economic penetration, political organization and propaganda which is using the desire of the underdeveloped nations to escape from proverty as a means to spread the communist doctrine.

Meanwhile, weapons and delivery systems of cataclysmic power have been developed. These are a now inescapable part of our current environment.

Our national security policy must utilize the economic and industrial power of the United States in ever new ways as well as old. We must never fall behind in the awful race of weaponry, either technologically or in terms of a force in being. We can no longer rest comfortably behind a shield of thousands of miles of water and space, confident that time and opportunity to summon our full industrial power will ultimately tip the scales. The fact is that some of the 1945 concepts of the relationship of industrial supremacy to national security are outmoded in 1961.

Today it is not enough for our industrial power to stand resplendent in its superior potential -- given a two-year atom-free all-out mobilization. Our industrial economy must be used every day in many ways to maintain and protect our national security. Some specific economic considerations of vital concern to U. S. industry suggest themselves, namely:

a. non-war uses of economic strength for national security overseas.

b. the economics of maintaining or expanding our current rate of national security expenditures in the framework of our other national goals.

c. the economic growth of the Sino-Soviet Bloc and its pattern of allocation of increasing resources to military strength and heavy industrial development.

d. the implications of the growth of Sino-Soviet economic power to affect the course of development of the uncommitted or less developed peoples.

To illustrate the second basic factor of change and challenge affecting U. S. industry and government we need call only one witness. In his ten-hour speech to the 21st Congress of the Communist Party in February 1959, Khrushchev summarized his assessment of the situation in these words:

> "The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure Soviet victory in peaceful economic competition with the capitalistic countries; development of the Soviet economic might will give communism a decisive edge in the international balance of power."

This statement against a contemporary background points up the need for an increased rate of economic growth based on an expansion of industrial output, capacity and productivity.

This is needed to provide the basic strength that will keep the Nation ahead of potential enemies who seek to "bury" us either by outright aggression or the attainment and utilization of superior economic power. Military power is derived from economic strength and foreign policy is based on both. The greater our economic strength and rate of growth and that of our allies, the more effective is our defense against aggression, no matter what form it may take.

In addition to various military measures, this economic strength permits the carrying out of a positive foreign economic policy which will preserve our alliances and increase the development of freedom in the uncommitted world.

For example, it is needed to help in creating an economic and political future in an atmosphere of freedom for the uncounted billions of human beings who will be born in the decades ahead in Asia, Africa and Latin America. Without help they face poverty, illiteracy and misery.

We also need this increased rate of economic growth to provide employment opportunities for the twenty-six million young people who will enter the labor force between now and 1970.

Yet, in recent years, the very time when the United States has most needed to marshal its economic resources, our growth rate has been lagging. During the Fifties, while the U. S. was growing at less than 3-1/2 percent a year in terms of gross national product, Free Continental Europe was growing at nearly 5 percent, the Soviet Union at better than 6 percent, and West Germany and Japan at between 7 and 9 percent.

During the latter part of the Fifties, our growth rate fell below 3 percent. President Kennedy has said that a growth rate of 4-1/2 percent is well within our capability. Given the increases in our labor force that are ahead, and the expanded productivity we have a right to expect from our advanced technology and skilled work force, it is certainly a realistic goal if -- a most important if -- there are the increasing investment levels in plant, machinery, equipment and facilities of which American industry is capable and the market demand for the output.

A third basic factor of change and challenge is the expanding area of markets and competition involving new patterns of trade.

Research and development, diversification, area development and redevelopment, and competition between products and industries have made new markets and new competition the normal pattern for industry in the United States.

Today, this factor has taken on an international importance.

The emergence and success of the European Common Market and the European Free Trade Association, and the rapid development of markets and competition in other industrialized areas such as Canada and Japan, are well recognized.

The launching of the Alliance for Progress with Latin America, and the emergence of new markets and competition in the less developed countries -- from populous India to some of the smaller states of Africa -- present another type of challenge and opportunity.

While the Sino-Soviet Bloc is largely closed as a market, it is beginning to penetrate some markets in competition with U. S. industry and our allies.

Dramatic as has been the expansion of market opportunities and the growth of competition abroad during the last decade, the future will witness even greater expansion.

Confronted by the threat of economic and political penetration of the less developed areas and the threat of political or military intimidation of the industrialized societies of Western Europe and

Japan by the U.S.S.R., the United States has had to accept and must continue to discharge its enormous responsibilities for the security and development of the Free World.

To fulfill these responsibilities our Nation must maintain the military power to deter aggression, including our bases overseas and forces deployed in many parts of the world. We must also sustain effective programs of economic assistance to the newly developing nations that will help them to grow in freedom. The cost is high, but so are the stakes -- possibly nothing less than the continued existence of individual liberty.

To meet our responsibilities, we must make the most of our economic and financial resources. We must achieve an adequate growth rate. We must avert inflation. We must eliminate excessive unemployment. And, it is equally important that we maintain the soundness of the dollar as the key reserve currency in the Free World trade and payments system and attain reasonable equilibrium in our international balance of payments.

The fourth primary factor of change and challenge affecting U. S. Government and industry is our balance of payments -- the accounting that reflects all of our trade and financial relations with the outside world -- which has been running in deficit. This is a relatively new problem for us -- one that we became acutely conscious of in the three-year span from 1958 through 1960 when our payments deficits totaled $11 billion and led to the loss of $5 billion from our gold supply.

Today, it has become necessary that we conduct both our public and private international financial transactions with our balance of payments in mind. We must concern ourselves not only with how to budget our overseas expenditures, but also with finding ways to eliminate the impact of those expenditures on our balance of payments.

The heart of our international payments problem is this: how can we generate a large enough trade surplus to counterbalance our essential expenditures abroad? These expenditures include the cost of our military forces overseas; that portion of our foreign aid which is not spent for American products or services, and private American long-term investment overseas.

Our trade surplus -- the excess of commercial exports over imports of goods and services -- is large. It was $4.8 billion last year. But that surplus was still $2 billion short of the amount needed to offset the balance of payments impact of our vital overseas programs.

This shortfall between our commercial surplus with other countries and our major nontrade payments to other countries constitutes the basic deficit in our international payments. Long-term measures are required to achieve the eventual elimination of this basic deficit.

There is a related facet of the problem -- preventing or neutralizing sudden disruptive movements of short-term capital -- so-called "hot money" flows -- caused by such temporary factors as disparities in interest rates between countries and speculation against the dollar. We have gone far toward solving this part of the problem. But the elimination of the basic deficit is still to be accomplished.

Eliminating the basic deficit will ultimately depend on our ability to expand our trade surplus by increasing our exports. Expansion of our sales abroad has become an urgent national need.

These four primary factors -- the evolving role of U. S. industry as a national security base, the need for an increased rate of economic growth, the expansion of market areas and competition, and the achievement of a reasonable balance of international payments -- create new national policy imperatives for both industry and government to meet the danger and the challenge of this changing time.

These policies should not be isolated strands, spinning off in all directions. Rather, they should be tied together into a single program.

What are some of the policies that industry and government should fashion together?

First, they should work together to complete the economic recovery, which is now well under way, so that an economy at a full employment level with its consequent maximization of consumer demand will take up some of the existing slack, paving the way for capacity expansion.

Second, they should seek to expand research and development and increase the private incentives and capital formation which is needed to translate technological advances into new products and services. A renewed emphasis on individual income incentives and increasing corporate profits and cash flows is basic to the devotion of a much higher proportion of total output to business fixed investment -- a necessity for healthy growth and increasing productivity. Tax and budget policy are the tools necessary to this emphasis.

Third, they should give a first priority to increasing investment for modernization and/or expansion of machinery and equipment. To this end the Treasury Department, supported by the President, is pursuing a depreciation reform program consisting of two steps. The first is a realistic and modernized set of depreciation schedules for productive equipment, taking into account recent technological advances. Our studies in this area have already resulted in a forty percent reduction from twenty-five to fifteen years in the Internal Revenue Service's guidelines for the depreciation "lives" of equipment utilized in the textile industry. We anticipate that these studies will justify substantial changes for other industries when they are completed this winter or next spring.

That reform, helpful though it will be, will not of itself put American producers on a fair footing with their European competitors. Therefore, we are proposing a second step in the form of an across-the-board tax credit for investment in new industrial equipment that we hope the Congress will approve next year.

This double incentive for American manufacturers to modernize their equipment will put them once again on a comparable basis with European industry, which has benefited for some time from liberal tax treatment as a stimulus to modernization. Modern machinery will make our goods more competitive with goods manufactured abroad by lowering our unit costs. This is important because, in recent years, our export prices for manufactured products rose sixteen percent between 1953 and 1959, while prices of exports by most of our major foreign competitors remained the same or dropped. And -- a most important lesson -- the success of Japan, Italy, France, and West Germany in stabilizing export prices was not the result of a slower rate of wage increase, but rather, of a faster rise in productivity.

Depreciation reform will also contribute to our domestic economy. Equipment modernization and greater investment will add momentum to our current recovery by stimulating the machine tool and allied industries and by providing more jobs. And it will increase our long-range growth potential by broadening our industrial base and by increasing our export markets.

A few figures illustrate the importance of this type of investment to long-term growth: the level of investment in machinery and equipment during the 1950's was about 6 percent of gross national product in the United States, 11 percent in West Germany, 11 percent in Holland, 9 percent in Italy, 8 percent in France, and 13 percent in Japan.

Growth rates -- in terms of gross national product -- not unexpectedly followed the same pattern, to the relative disadvantage of the United States.

Fourth, they should follow depreciation reform next year with all-out effort to revise and reform the basic structure of the personal and corporate income tax. We need to re-examine the rates, eliminate the inequities, close unwarranted loopholes, and provide a broader and more uniform tax base. Only in this fashion can the long-sought tax policy for growth be achieved. The President announced last April his intention to do his part in this effort as soon as his specific "first step" proposals clear the Congress. Nothing has occurred to change that plan.

Fifth, they should intensify a program for increasing productivity through more efficient use of manpower. The first and basic step is, of course, to minimize unemployment. Also important are improved education and manpower development, the upgrading of the work force, training and retraining, the elimination of discrimination based on color, age or sex, and a persistent drive against both management and labor featherbedding.

A basic component of any program for accelerated growth must be investment in an extension of knowledge, the general education of the population. Business and industry, as well as government, have a very real responsibility in both education and worker retraining. The President's program for aid to education, the provision of facilities to retrain workers in the Area Redevelopment Program, and the enactment of the broad retraining program included in the Manpower Development and Training Act submitted to the last session of Congress are key programs. Some of them represent items of unfinished business.

Many of these programs, particularly those in education and training, contribute directly to economic growth. All of them are necessary in a society which protects the human dignity of its citizens.

Sixth, there should be a continuing coordination of monetary and fiscal policy at the national and international level to provide adequate credit on reasonable terms and assure the smooth functioning of the international trade and payments system.

While at the national level this involves primarily the Treasury, the Federal Reserve System, private banks and financial institutions, it is also of direct concern to those who have the responsibility for meeting the financing needs in business and industry. On the international level the newly organized Organization for Economic Cooperation and Development, The International Monetary Fund, The Inter-American Bank, the new AID Agency, and the World Bank, are of direct concern to those who trade abroad or look to increasing market opportunities in the less developed countries. These agencies and programs deserve the strong support of responsible leaders in business and industry.

Seventh, government and industry should foster the expansion of our merchandise trade surplus so as to sustain the U. S. role in Free World security and development and the soundness of the dollar as a reserve currency as has already been emphasized.

Here, if ever, there is a need for joint effort. This is where American industry faces up to a great new challenge. Despite everything government can do, expanding our exports and maintaining our position with regard to imports in competition with foreign producers without raising new trade barriers will not be easy. I don't have to tell you that our friends in Europe and Japan are alert and resourceful competitors. We will need up-to-date machinery, expert merchandising and topflight sophisticated salesmanship, and we will have to employ the latest competitive techniques to do the job.

Fortunately, the world has entered into an entirely new trading era which holds out considerable promise for our exporters. In Europe and other parts of the world, thousands of American products are still entirely unknown. American business is just beginning to probe huge potential markets for these products. Success in selling them will require bold enterprise and skillful competition.

Here is what the government has been doing in this area: the State and Commerce Departments have greatly increased their services to exporters. As a result, there is now much more information available about foreign markets, as well as much more activity to seek out domestic firms which are capable of entering or expanding their export trade. Also, we have just taken a second step to reduce unnecessary risks to U. S. exporters by improving the Export-Import Bank's system of guaranteeing commercial bank loans to exporters by creating a broad new program of export credit insurance, utilizing the facilities of our private insurance companies.

I have already referred to the depreciation reform program launched to encourage modernization of U. S. productive machinery and equipment to better enable American manufacturers to increase their ability to compete with foreign producers, both at home and abroad.

Yesterday, the President announced a new economic initiative to enable the U. S. to keep pace with the revolutionary changes in the trading world described earlier. He called for a new and bold instrument of American trade policy. He pointed out that 90 percent of the Free World's industrial production may soon be concentrated in two locations -- the U. S. and an expanded European common market. With the accession of the United Kingdom and a few other European nations, the common market will have almost twice as many people as the United States -- and cover nations whose economies have been growing twice as fast as ours -- and will some day represent an area with purchasing power to rival our own. He noted that it could be our biggest, our most reliable, our most profitable customer.

But he observed realistically, as we all must, that he does not have the means to persuade this market area to reduce its external tariffs to a level which will permit our goods to enter on a truly competitive basis. He stated his intention of seeking from the Congress and using in negotiations sufficient bargaining power to lower common market restrictions against our goods.

More than purely trading considerations are involved. If American industry cannot increase its sales through an enlarged common market, and increase this nation's surplus of exports over imports, our international payments position and our commitments for the defense of freedom will be endangered.

No, the issue that will be laid before the Congress is not the traditional one of free trade or protection for American industries. As President Kennedy put it yesterday to the NAM, "If the nations of the West can weld together on these problems a common program of action as extraordinary in economic history as NATO was unprecedented in military history, the long-range communistic aim of dividing and encircling us all is doomed to failure."

The combined output of purchasing power of the United States and Western Europe is more than twice as great as that of the entire Sino-Soviet Bloc. Though we have only half as much population, far less than half as much territory, our coordinated economic strength will represent a powerful force for the maintenance and growth of freedom.

While sharp disagreements on method and degree are certain, let us hope that the debate will be conducted on the high plane of adapting our trade policies to the requirements of Free World security.

Eighth, the new programs of trade and trade regulation which will follow upon any trade and tariff bargains struck with Western Europe will have to be integrated carefully into both the fabric of national policy and coordinated Free World policy.

The transition and consequent adjustment to new trade and competitive conditions will be facilitated if conducted in an atmosphere of healthy economic growth and full employment. Care must be taken to maintain a strong industrial base. I do not believe that the adjustment necessary under the President's new policy will cause the elimination of industries or viable economic communities. Rather, that policy will assure opportunities for a stronger U. S. industrial economy -- with a place in markets at home and abroad grounded primarily on U. S. based production rather than subsidiary plants located abroad primarily to get behind tariff walls. The process of adjustment to increased trade competition should be a movement for less interference by government in the marketplace rather than merely a substitution of permanent subsidies for trade restrictio

On the international front new trade bargains between the United States and Western Europe should also take into some account burden-sharing in Free World security and the economic development and trade of the less developed countries. Reciprocal action in the removal of trade and investment restrictions of a nontariff character is also important, as well as the association of progress in trade with the achievements of better wages, working conditions and other social objectives where substandard conditions prevail. Also, the need for improved Allied coordination in trade with the Sino-Soviet Bloc should be considered lest politically motivated state trading techniques be used to weaken the Western Alliance. Likewise, the role of private business and industry in foreign aid and the development of less developed countries deserves increased attention as a growing supplement to government-to-government loans and grants.

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Ninth, all our efforts to support our role in Free World security and development and live successfully in the trading area of the Free World, rather than separate from it, will be fruitless if we ignore one danger of paramount importance -- the need to stay competitive in price and quality. That means government and industry must cope effectively with the threat of inflation.

This requires price and wage restraint by industry and labor, and responsible budget policies by government. A key element in meeting the era of change and challenge is the ability of labor and industry to work together to increase productivity, to maximize the benefits and reduce the hardships of automation, to expand our export trade and to share equally the responsibility to maintain price stability. This will not be easy but the times demand no less.

For its part, the government has a responsibility to conduct its affairs so that inflation can be avoided. The President recognized in his address yesterday that the efforts of business and labor will be governed in part by the kind of atmosphere the government can help to create. He said:

> "That is why we need to submit a balanced budget."

Tenth, and last, it should be the firm purpose of government and industry to search out more adequate tools to achieve the prompt action that may be necessary to avoid needless recessions or to minimiz periods of decline. These can defeat or endanger the achievement of all of our national objectives at home or abroad. You have an interest in seeing to it that your government is amply equipped and thoroughly geared to take prompt action when it is required.

Progress in forging better policies in these ten directions will not solve all our problems. But I have every confidence that advances can and will be made, with government and industry, as they have always done, rising together to meet a common challenge to the country for which both share a never-ceasing responsibility.

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STATUTORY DEBT LIMITATION

As of November 30, 1961

Washington, Dec 11 ,1961

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authorit of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such gua anteed 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 re- demption 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, 1961 (P. L. 87-69 87th Congress) provides that during the period beginning on July 1, 1961 and ending June 30, 1962, the above limitation ($285,000,000,000) shall be temporarily in- creased by $13,000,000,000.

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			$298,000,000,0
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$43,441,902,000		
Certificates of indebtedness	5,509,218,000		
Treasury notes	71,487,517,000	$120,438,637,000	
Bonds -			
Treasury	75,204,149,650		
*Savings (current redemption value)	47,824,398,527		
Depositary	153,306,500		
R. E. A. series	21,980,000		
Investment series	5,122,821,000	128,326,655,677	
Certificates of Indebtedness -			
Foreign series	575,000,000		
Foreign Currency series	46,285,000	621,285,000	
Special Funds -			
Certificates of indebtedness	6,611,460,000		
Treasury notes	7,387,853,000		
Treasury bonds	30,217,837,000	44,217,150,000	
Total interest-bearing		293,603,727,677	
Matured, interest-ceased		407,440,272	
Bearing no interest:			
United States Savings Stamps	51,334,054		
Excess profits tax refund bonds	739,916		
Special notes of the United States:			
Internat'l Monetary Fund series	2,368,000,000		
Internat'l Develop. Ass'n. series	115,304,400		
Inter-American Develop. Bank series	25,000,000	2,560,378,370	
Total		296,571,546,319	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	314,023,700		
Matured, interest-ceased	496,175	314,519,875	
Grand total outstanding			296,886,066,19
Balance face amount of obligations issuable under above authority			1,113,933,80

Reconcilement with Statement of the Public Debt November 30, 1961
(Date)

(Daily Statement of the United States Treasury, November 30, 1961)
(Date)

Outstanding -	
Total gross public debt	297,010,508,34
Guaranteed obligations not owned by the Treasury	314,519,87
Total gross public debt and guaranteed obligations	297,325,028,22
Deduct - other outstanding public debt obligations not subject to debt limitation	438,962,03
	296,886,066,19

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STATUTORY DEBT LIMITATION

As of November 30, 1961

Washington, Dec 11, 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, 1961 (P. L. 87-69 87th Congress) provides that during the period beginning on July 1, 1961 and ending June 30, 1962, the above limitation ($285,000,000,000) shall be temporarily increased by $13,000,000,000.

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			$298,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$43,441,902,000		
Certificates of indebtedness	5,509,218,000		
Treasury notes	71,487,517,000	$120,438,637,000	
Bonds -			
Treasury	75,204,149,650		
*Savings (current redemption value)	47,824,398,527		
Depositary	153,306,500		
R. E. A. series	21,980,000		
Investment series	5,122,821,000	128,326,655,677	
Certificates of Indebtedness -			
Foreign series	575,000,000		
Foreign Currency series	46,285,000	621,285,000	
Special Funds -			
Certificates of indebtedness	6,611,460,000		
Treasury notes	7,387,853,000		
Treasury bonds	30,217,837,000	44,217,150,000	
Total interest-bearing		293,603,727,677	
Matured, interest-ceased		407,440,272	
Bearing no interest:			
United States Savings Stamps	51,334,054		
Excess profits tax refund bonds	739,916		
Special notes of the United States:			
Internat'l Monetary Fund series	2,368,000,000		
Internat'l Develop. Ass'n. series	115,304,400		
Inter-American Develop. Bank series	25,000,000	2,560,378,370	
Total		296,571,546,319	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	314,023,700		
Matured, interest-ceased	496,175	314,519,875	
Grand total outstanding			296,886,066,194
Balance face amount of obligations issuable under above authority			1,113,933,806

Reconcilement with Statement of the Public Debt November 30, 1961
(Date)

(Daily Statement of the United States Treasury, November 30, 1961)
(Date)

Outstanding -	
Total gross public debt	297,010,508,349
Guaranteed obligations not owned by the Treasury	314,519,875
Total gross public debt and guaranteed obligations	297,325,028,224
Deduct - other outstanding public debt obligations not subject to debt limitation	438,962,030
	296,886,066,194

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December 11, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, December 12, 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 September 14, 196 and the other series to be dated December 14, 1961, which were offered on December 6, we opened at the Federal Reserve Banks on December 11. Tenders were invited for $1,100,000 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 March 15, 1962		:	182-day Treasury bills maturing June 14, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.352 a/	2.564%	:	98.555	2.858%
Low	99.346	2.587%	:	98.544	2.880%
Average	99.348	2.579% 1/	:	98.547	2.874% 1/

a/ Excepting one tender of $200,000
84 percent of the amount of 91-day bills bid for at the low price was accepted
3 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	$ 31,354,000	$ 24,045,000	:	$ 18,092,000	$ 16,972,000
New York	1,408,840,000	656,887,000	:	1,107,545,000	460,748,000
Philadelphia	29,116,000	13,290,000	:	9,105,000	2,697,000
Cleveland	59,170,000	38,095,000	:	25,463,000	19,261,000
Richmond	13,986,000	13,636,000	:	3,378,000	2,978,000
Atlanta	30,216,000	22,101,000	:	7,517,000	5,732,000
Chicago	234,090,000	129,074,000	:	124,299,000	64,679,000
St. Louis	28,991,000	23,967,000	:	7,339,000	6,339,000
Minneapolis	21,778,000	13,178,000	:	7,152,000	3,892,000
Kansas City	37,682,000	25,682,000	:	8,159,000	6,098,000
Dallas	16,968,000	16,668,000	:	3,608,000	3,608,000
San Francisco	161,909,000	123,949,000	:	53,244,000	7,687,000
TOTALS	$2,074,100,000	$1,100,572,000 b/		$1,374,901,000	$600,691,000 c/

b/ Includes $238,246,000 noncompetitive tenders accepted at the average price of 99.348
c/ Includes $57,597,000 noncompetitive tenders accepted at the average price of 98.547
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.63%, for the 91-day bills, and 2.96% 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.

December 11, 1961

R RELEASE A. M. NEWSPAPERS, Tuesday, December 12, 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 September 14, 1961, l the other series to be dated December 14, 1961, which were offered on December 6, were ned at the Federal Reserve Banks on December 11. Tenders were invited for $1,100,000,00 thereabouts, of 91-day bills and for $600,000,000, or thereabouts, of 182-day bills. e details of the two series are as follows:

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	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.352 a/	2.564%	:	98.555	2.858%
Low	99.346	2.587%	:	98.544	2.880%
Average	99.348	2.579% 1/	:	98.547	2.874% 1/

a/ Excepting one tender of $200,000

84 percent of the amount of 91-day bills bid for at the low price was accepted

3 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	$ 31,354,000	$ 24,045,000	:	$ 18,092,000	$ 16,972,000
New York	1,408,840,000	656,887,000	:	1,107,545,000	460,748,000
Philadelphia	29,116,000	13,290,000	:	9,105,000	2,697,000
Cleveland	59,170,000	38,095,000	:	25,463,000	19,261,000
Richmond	13,986,000	13,636,000	:	3,378,000	2,978,000
Atlanta	30,216,000	22,101,000	:	7,517,000	5,732,000
Chicago	234,090,000	129,074,000	:	124,299,000	64,679,000
St. Louis	28,991,000	23,967,000	:	7,339,000	6,339,000
Minneapolis	21,778,000	13,178,000	:	7,152,000	3,892,000
Kansas City	37,682,000	25,682,000	:	8,159,000	6,098,000
Dallas	16,968,000	16,668,000	:	3,608,000	3,608,000
San Francisco	161,909,000	123,949,000	:	53,244,000	7,687,000
TOTALS	$2,074,100,000	$1,100,572,000 b/		$1,374,901,000	$600,691,000 c/

Includes $238,246,000 noncompetitive tenders accepted at the average price of 99.348

Includes $57,597,000 noncompetitive tenders accepted at the average price of 98.547

On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.63%, for the 91-day bills, and 2.96% 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.

December 11, 1961

FOR IMMEDIATE RELEASE

WEEKLY BULLETIN OF THE COMPTROLLER OF THE CURRENCY

In accordance with the announcement made November 29, 1961, the Office of the Comptroller of the Currency will commence~~s~~ this week ~~with the attached~~ the issuance of ~~bulletin~~ a continuous weekly announcement of the receipt of, and action taken upon, all applications for new charters, branches, mergers, consolidations, purchase of assets, assumption of liabilities, change of name or location of Head offices or branches, and conversions from state to national banks.

JAMES J. SAXON
Comptroller of the Currency

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 11, 1961

FOR IMMEDIATE RELEASE

WEEKLY BULLETIN OF THE COMPTROLLER OF THE CURRENCY

In accordance with the announcement made November 29, 1961, the Office of the Comptroller of the Currency will commence this week the issuance of a continuous weekly announcement of the receipt of, and action taken upon, all applications for new charters, branches, mergers, consolidations, purchase of assets, assumption of liabilities, change of name or location of Head offices or branches, and conversions from state to national banks.

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D-326

TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY
WASHINGTON 25

December 11, 1961

BULLETIN NO. 3561-1

INFORMATION PERTAINING TO APPLICATIONS

BRANCHES

Date	Bank	Location	Activity
12/1/61	The United States National Bank of San Diego, California	N/E Corner Willow and Foothill, Rialto, San Bernardino County, California	Withdrawn
12/1/61	The United States National Bank of San Diego, California	Downtown business district Pomona, Los Angeles County, California	Filed
12/1/61	City National Bank of Baton Rouge, Louisiana	Intersection of Jefferson Highway & Old Hammond Highway, Baton Rouge, Louisiana	Filed
12/1/61	The First National Farmers Bank of Wytheville, Virginia	W. Monroe & 6th Streets, Wytheville, Virginia	Filed
12/1/61	First National Bank of Jacksonville, North Carolina	Mount Olive, Wayne County, North Carolina	Filed
12/2/61	The First National Bank of Odon, Indiana	Montgomery, Daviess County, Indiana	Filed
12/4/61	Crocker-Anglo National Bank, San Francisco, California	In or near Brisbane, San Mateo County, California	Filed
12/4/61	Bank of America National Trust and Savings Association, San Francisco, California	Vicinity of intersection of Temple Street & Grand Avenue in Civic Center Section of Los Angeles, Los Angeles County, California	Filed
12/5/61	The Ocean National Bank of Kennebunk, Maine	Mile Road, Wells, York County, Maine	Filed

Date	Bank	Location	Activity
12/5/61	Seattle-First National Bank Seattle, Washington	Vicinity Eastlake Avenue E&E.Garfield Street, Seattle, Washington	Filed
12/5/61	Hackley Union National Bank and Trust Company of Muskegon, Michigan	N/W Corner U.S. 31 and M-20 N. Muskegon, Muskegon County, Michigan	Approved
12/5/61	Security Bank, Washington, District of Columbia	Either N. or S. Plaza Building Elevated 10th Street Plaza, between D&E Streets, S.W. Washington, District of Columbia	Filed
12/5/61	Carolina National Bank of Easley, South Carolina	Greenville Road at Forest Acres Shopping Center, outside city limits of Easley, Pickens County, South Carolina	Approved
12/5/61	First National Bank of Arlington, Virginia	801 North Glebe Road, Arlington, Virginia	Approved
12/5/61	The Commercial National Bank, Camden, South Carolina	405 De Kalb Street, Camden, South Carolina	Approved
12/5/61	The Commercial National Bank of Little Rock, Arkansas	120-122 West Second Street, Little Rock, Arkansas	Approved
12/5/61	Western Pennsylvania National Bank, McKeesport, Pennsylvania	West Hills Shopping Center, Broadhead & Beaver Grade Road at Beers School and Narrows Run Road, Moon Township, Allegheny County, Pennsylvania	Approved
12/5/61	Valley National Bank of Long Island, Valley Stream, New York	N/E Corner Merrick Road and Spruce Street, Wantagh, Nassau County, New York	Disapproved
12/5/61	The Planters National Bank and Trust Company of Rocky Mount, North Carolina	301 Fairview Road, Rocky Mount, North Carolina	Approved
12/5/61	The First National City Bank of New York, New York	Vicinity of Avenue D and Rockaway Avenue, Borough of Brooklyn, Kings County, New York	Approved

Date	Bank	Location	Activity
12/5/61	Second National Bank of Saginaw, Michigan	6081 Dixie Highway, Bridgeport Township, Saginaw County, Michigan	Approved
12/5/61	Sterling National Bank and Trust Company of New York, New York	101-25-27 Queens Boulevard at 67th Drive, Forest Hills, Borough of Queens, New York City, New York	Approved
12/5/61	The Franklin National Bank of Long Island, Mineola, New York	200 Feet South of S/E Corner of Smith Street and Broad Hollow Road E. Farmingdale, Town of Babylon, Suffolk County, New York	Approved
12/5/61	The Citizens National Bank in Hammond, Louisiana	1900 W. Church Street, Hammond, Louisiana	Approved
12/5/61	The National Bank of Commerce in Jefferson Parish, Louisiana	Intersection of Veterans Highway and Focis Street, Metairie, Jefferson Parish, Louisiana	Approved
12/5/61	The Waterbury National Bank, Waterbury, Connecticut	Junction of Cherry Street Meadow Street and Rubber Avenue, Naugatuck, New Haven County, Connecticut	Approved
12/5/61	The National Bank of McKeesport, Pennsylvania	E. Fifth Avenue, Plaza, Inc. E. Fifth Avenue (State Route 148) between Westinghouse Avenue and Washington Road, North Versailles Township, Allegheny County, Pennsylvania	Approved
12/6/61	Manufacturers National Bank of Detroit, Michigan	Vicinity of Fiteeen Mile Road and Gratiot Avenue, Clinton Township, Macomb County, Michigan	Disapproved
12/6/61	First National Bank of Minoa, New York	Route 290, Fremont Heights, Town of Manlius, New York	Withdrawn
12/6/61	First National Bank of Hawaii, Honolulu, Hawaii	Area adjacent to the Honolulu International Airport, Honolulu, Hawaii	Filed

Date	Bank	Location	Activity
		BRANCH RELOCATIONS	
12/1/61	The First National Bank of San Jose, California	Los Altos Office from 173 Main Street to 240 Third Street, Los Altos, California	Filed
12/6/61	First National Bank of Oregon, Portland, Oregon	S.W. Sixth and Lincoln Branch 2110 S.W. Sixth Avenue to west half of block bounded by S. West Fourth & Fifth Avenues and S. West College & Hall Streets, Portland, Oregon	Filed
		BRANCH PERMITS	
12/1/61	The Connecticut National Bank, Bridgeport, Connecticut	710 Wolcott Road, Wolcott, New Haven County, Connecticut	6247A
12/1/61	The Franklin National Bank of Long Island, Mineola, New York	2085 Merrick Road, Merrick, Nassau County, New York	6248A
12/1/61	North Carolina National Bank, Charlotte, North Carolina	1823 Banking Street, Greenboro, Guilford County, North Carolina	6249A
12/4/61	Security First National Bank, Los Angeles, California	2733 East Main Street, Ventura Ventura County, California	6250A
12/4/61	Bank of America National Trust and Savings Association, San Francisco, California	608 North Escondido Boulevard, Escondido, San Diego County, California	6251A
12/4/61	First National Bank of Niles, Niles, Michigan	Eastgate Shopping Center, 1937 Oak Street, Niles Township, Berrien County, Michigan (P. O. Niles)	6252A
12/5/61	The First National City Bank of New York, New York, New York	2940-42 Hempstead Turnpike, Levittown, Nassau County, New York	6253A
12/5/61	The Falmouth National Bank, Falmouth, Massachusetts	Falmouth Plaza, Junction of East Main Street, Falmouth Heights Road and State Highway (Route 28) Falmouth, Massachusetts	6254A

Date	Bank	Location	Activity
12/5/61	Society National Bank of Cleveland, Cleveland, Ohio	17400 Lorain Avenue Cleveland, Ohio	6255A
12/5/61	The National Bank & Trust Company of Fairfield County, Stamford, Connecticut	Berkshire Shopping Center 57-61 Newton Road, Danbury, Fairfield County, Connecticut	6256A
12/5/61	The Citizens National Bank of Glasgow, Kentucky	Southeast Corner of Green and Washington Streets, Glasgow, Kentucky	6257A
12/6/61	Citizens National Bank, Los Angeles, California	15722 Gale Avenue, Los Angeles County, California (P.O. La Puente)	6258A
12/7/61	The Citizens National Bank of Havre De Grace, Maryland	313 North Union Avenue, Havre De Grace, Maryland	6259A

NEW BANKS

Date	Location	Activity
12/4/61	Indian Harbor Beach Area, Brevard County, Florida	Filed
12/6/61	Riverside, California	Disapproved

CONVERSION

Date	Bank	Activity
12/5/61	The Savings Deposit Bank & Trust Company, Elyria, Ohio TO First National Bank of Elyria	Approved

CHARTER ISSUED

Date	Location
12/1/61	Seneca National Bank of Wichita, Wichita, Sedgwick County, Kansas Capital - $300,000 Surplus - $150,000

TITLE CHANGES

Date	Bank	Activity
12/6/61	The Ashuelot-Citizens National Bank of Keene, Keene, New Hampshire TO Ashuelot National Bank of Keene	Approved
12/6/61	Oklahoma National Bank of Chickasha, Oklahoma TO Oklahoma National Bank & Trust Company of Chickasha	Approved

HEAD OFFICE RELOCATIONS

Date	Bank	Activity
12/7/61	Central National Bank and Trust Company of Enid, Oklahoma 101 North Grand Street TO 324 West Broadway, Enid	Approved
12/7/61	Moultrie National Bank, Moultrie, Georgia 4 First Avenue, S. E. TO S/E Corner Intersection of First Street, S. E. and Second Avenue, S. E., Moultrie	Approved
12/8/61	Gulf Coast National Bank of Alameda, Texas 14008 Alameda Road TO Westbury Square Shopping Area, Chimney Rock Road West Belfort Avenue	Filed
12/8/61	The First National Bank in Big Spring, Texas 201 Main Street TO 400 Main Street, Big Spring	Filed

APPLICATIONS TO CONSOLIDATE, MERGE, AND PURCHASE ASSETS AND ASSUME LIABILITIES RECEIVED BY THE COMPTROLLER OF THE CURRENCY

December 5

The Pennsylvania National Bank and Trust Company of Pottsville, Pennsylvania (Charter No. 1663) to merge with The First National Bank and Trust Company of Orwigsburg, Pennsylvania (Charter No. 4408) under charter of The Pennsylvania National Bank and Trust Company of Pottsville.

The Juniata Valley National Bank of Mifflintown, Pennsylvania (Charter No. 5147) to consolidate with The First National Bank of Millerstown, Pennsylvania (Charter No. 7156) under charter of The Juniata Valley National Bank of Mifflintown.

CERTIFICATES ISSUED APPROVING APPLICATIONS TO CONSOLIDATE AND MERGE

Milan State Bank, Milan, Michigan into National Bank and Trust Company of Ann Arbor, Michigan, effective as of the close of business December 2, 1961. Merger effected under the charter and title of National Bank and Trust Company of Ann Arbor. Capital stock of merged bank $1,350,000 divided into 67,500 shares of common stock, $20 par value. In connection with this merger certificate issued to receiving association authorizing establishment of branch at 9 Wabash Street, Milan, Washtenaw County, Michigan (main office location of Milan State Bank) Certificate No. 6246A.

COMMON CAPITAL STOCK INCREASED

Date	Bank	From	To	Aggregate	
12/1/61	The First National Bank of Bethany, Oklahoma	$100,000	$200,000	$100,000	sale
12/4/61	The First National Bank of Holly Hill, South Carolina	$125,000	$150,000	$ 55,000	sale
12/4/61	Bank of America National Trust and Savings Association, San Francisco, California	$160,000,000	$168,000,000		stock dividend
12/5/61	Peoples National Bank & Trust Company of Bay City, Michigan	$2,200,000	$2,640,000		stock dividend
12/6/61	The First National Bank of Somerset County, Bound Brook, N. J., Bound Brook, New Jersey	$1,250,000	$1,562,500	$822,952	sale
12/6/61	First National Bank of Eau Gallie, Florida	$325,000	$487,500	$455,000	sale
12/6/61	The First National Bank of Yarmouth, Yarmouth Port, Massachusetts	$150,000	$180,000	$ 60,000	sale

Submitted by:

JAMES J. SAXON
Comptroller of the Currency

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 11, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY INFORMS ALL NATIONAL AND DISTRICT OF COLUMBIA BANKS OF THE FINANCIAL STATUS OF HIS OFFICE, THE CONDITION OF THE EXAMINATION WORK, AND A NEW SCHEDULE OF FEES.

In accordance with his policy of full disclosure, Comptroller of the Currency James J. Saxon today announced that a letter has been addressed to all national and District of Columbia banks under date of December 8, 1961 informing them of the financial status of the Comptroller's office, the condition of the examination work, and a new schedule of examination and other fees which has been adopted. A copy of that letter is attached.

James J. Saxon
Comptroller of the Currency

D-327

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 11, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY INFORMS ALL NATIONAL AND DISTRICT OF COLUMBIA BANKS OF THE FINANCIAL STATUS OF HIS OFFICE, THE CONDITION OF THE EXAMINATION WORK, AND A NEW SCHEDULE OF FEES.

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D-327

TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY
WASHINGTON 25

ADDRESS REPLY TO
"COMPTROLLER OF THE CURRENCY"

December 8, 1961

Copy of letter sent to the presidents of all national and District banks.

The Office of the Comptroller of the Currency does not operate on Federally appropriated funds, its income being derived from assessments paid by national and District of Columbia banks. This income maintains the Office. The capacity and efficiency with which the Office can discharge its many statutory and other responsibilities is dependent upon the adequacy of this income. Similarly, it has an important impact upon the quality, character and extent of the essential legal, administrative and legislative services of the Office.

Beginning with this letter, I shall undertake to keep you informed in detail, at least once annually, of our financial status. To this end I am enclosing for your information a detailed statement showing our comparative income and expense for the years 1957 through 1961. This statement discloses the excess of total costs over total income and our resulting unexpended funds at each year end. These costs have materially exceeded total income for each of these years. The total excess of expense over income for the five year period ending December 31, 1961, will be $2,802,873, including $586,652 estimated excess of expense over income for the year 1961.

As shown by the enclosed statement, during the period beginning with the year 1957 and ending with the year 1961, the semiannual assessment rates have ranged from 3¢ to 3-1/2¢ per $1,000 of assets in excess of $25,000 as shown in each bank's Reports of Condition on the assessment collection dates. During this period the minimum semiannual charge of $75 for the first $25,000 of assets has not changed. These assessment rates have not been adequate in relation to the increasing volume of work occasioned by the substantial growth of banks and the increased number of banking units. The result has been that our unexpended funds have during this five year period decreased from $5,304,083, the balance on hand at the beginning of the period, to $2,501,210, the estimated balance on December 31, 1961. In effect, expenses of about $2,803,000 incurred during this five year period have been met from the income of prior years.

The unexpended funds of $2,501,210 are actually encumbered to the extent of approximately $1,500,000, representing accrued liabilities on account of accumulated annual leave for which our employees must be compensated upon separation from this Office, and other accrued expenses. However, I believe it would be in accordance with sound accounting principles to make a reasonable annual appropriation out of current income in order thereby to provide, over a period of years an adequate segregated reserve for these liabilities. If full provision for such a reserve were now to be made, our unencumbered funds at the current year end would amount to approximately $1,000,000, or the equivalent of operating expenses for about one month.

In my opinion, our unencumbered funds should be gradually increased as conditions permit from income to an amount sufficient to provide a general reserve fund which will at all times be sufficient to cover the cost of operating the Office. That fund, to the extent feasible, will be invested in United States Treasury obligations so that we may receive the maximum safe income possible in accordance with past practice.

This Office must fully meet its express and specific obligations prescribed by law. Specifically, I must by law insure that the statutory minimum number of examinations are made each year. This has not been possible in recent years, largely because of limitations and restrictions imposed on the number of personnel the Office has been permitted to employ. It is presently estimated that as of December 31, 1961, there will be 581 banks located in ten of the twelve Federal Reserve Districts, having aggregate resources of $27,196,000,000, which will not have been examined three times during the two year period 1960-1961, the minimum statutory requirement.

A statement is enclosed showing more detailed information concerning national banks located in each of the twelve Federal Reserve Districts, the aggregate resources, the number of such banks by Federal Reserve District, and the aggregate resources which will not have been examined three times during the two year period ending December 31, 1961. Although a reduction in the present statutory minimum examination requirement has been suggested as a possible remedy, I do not believe that under existing circumstances it would be in the interest of the national banking system to recommend or support such a proposal.

In view of the foregoing facts and circumstances, I find it necessary to increase the present semiannual assessment rate of 3-1/2¢ per $1,000 of assets exceeding $25,000 to a semiannual rate of 4¢ per $1,000 of total assets. The existing minimum assessment of $75 for the first $25,000 of assets will be increased to a semiannual minimum assessment of $100. The existing deduction of $25,000 will be eliminated. Such increases will apply for at least the calendar year 1962. These assessment changes will be effective on and after the next assessment date.

In order to provide for the assessment of fees which will more nearly cover the costs incurred in performing special services for banks effective with such services undertaken on and after the date of this letter, the following changes in the rates presently charged are hereby prescribed for the services indicated:

	Present Per Day Rate		New Per Day Rate	
Type of Investigation	Examiner	Asst. Examiner	Examiner	Asst. Examiner
New Branch and Change of Branch Location	$82.00	$44.00	$100.00	$50.00
New Bank	64.00	34.00	100.00	50.00
Miscellaneous	64.00	34.00	100.00	50.00
Type of Examination				
Affiliate	64.00	34.00	100.00	50.00
Extra	64.00	34.00	100.00	50.00
Trust	64.00	34.00	100.00	50.00

Effective November 28, 1961, a filing fee of $500 is being assessed with respect to each application for approval of a merger, consolidation, or purchase of assets and assumption of liabilities. No such fee has been imposed in the past.

I am hopeful that the revised semiannual assessment rate, the above-mentioned increased rates of charges for special services and the new filing fee, will produce sufficient additional income to offset the deficit for 1961 and the additional expense anticipated during 1962. I am unable to furnish you with a reliable estimate of expenses because of the contemplated changes in the policies and procedures of the Office, particularly with respect to the sorely needed expansion of our examining force pointed out in this letter.

This Office historically has set a high national standard with respect to the quality and effectiveness of bank examinations. This is the most serious responsibility with which it is charged by law. I intend to make sure that the quality and effectiveness of national bank examinations shall be of the highest order. However, if the Office is to be able to discharge its duties and maintain and improve existing standards, it is apparent that our examining force must be expanded. This expansion must be accomplished during a period of rising salary costs and while some states are admirably striving for higher examination standards and enhancing their competitive capacity to attract available, competent and interested individuals by offering increasingly attractive compensation and other benefits.

I believe that the time has come for exploration of a means of allocating an equitable portion of the examination expense of this Office to the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System. You know that the national banks of the country carry disproportionate costs for examinations in relation to cost to state banks which enjoy the benefit of joint Federal and State examinations. Furthermore, this Office makes available to the aforementioned Federal agencies, copies of examination reports, and other materials relating thereto, at a cost to the Federal Reserve Banks of $10.00 per examination report and at no cost to the Federal Deposit Insurance Corporation. This disproportionate burden carried by the national banking system should be mitigated.

All of us are conscious of the rising cost of bank operations. I know that each national and District of Columbia bank will, in the light of its own current experience, make a realistic appraisal and judgment of the facts and circumstances set forth in this letter.

Sincerely,

James J. Saxon

James J. Saxon
Comptroller of the Currency

Enclosures

COMPTROLLER OF THE CURRENCY
EXAMINING DIVISION

COMPARATIVE ASSESSMENT & OTHER INCOME BY
CALENDAR YEARS 1957 THRU DECEMBER 31, 1961, INCLUSIVE

Assessment Source	1957	1958	1959	1960	1961 1/	TOTAL 1957 - 1961
Commercial Examinations	$ 7,934,256	$ 8,010,667	$ 9,018,037	$ 9,964,447	$ 10,403,785	$ 45,331,192
Branch Examinations	196,225	215,400	234,280	254,675	282,350	1,182,930
Sub-total	8,130,481	8,226,067	9,252,317	10,219,122	10,686,135	46,514,122
Trust Examinations	413,831	435,896	470,215	508,007	525,503	2,353,452
Affiliate Examinations	2,194	2,038	3,606	2,354	2,290	12,482
Extra Examinations	4,997	8,124	9,416	2,375	3,402	28,314
Branch and/or Removal Investigations	60,765	63,162	86,153	98,183	96,822	405,085
Miscellaneous	30,663	32,038	25,469	31,800	37,592	157,562
Sub-total	8,642,931	8,767,325	9,847,176	10,861,841	11,351,744	49,471,017
Copies Reports Sold	92,554	90,642	91,410	83,865	89,570	448,041
Investment Income and Miscellaneous	99,771	130,228	72,077	133,774	93,745	529,595
Closed Receivership Trust Funds	33,545	98,365	61,450	122,997	110,866	427,223
Sub-total	8,868,801	9,086,560	10,072,113	11,202,477	11,645,925	50,875,876
Less - Refunds of Assessments	740	1,835	597	5,628	510	9,310
TOTAL	$ 8,868,061	$ 9,084,725	$ 10,071,516	$ 11,196,849	$ 11,645,415	$ 50,866,566

COMPARATIVE COSTS OF OPERATION BY CALENDAR
YEARS 1957, THRU DECEMBER 31, 1961, INCLUSIVE

Cost Classifications	1957	1958	1959	1960	1961 1/	TOTAL 1957 - 1961
Salaries (Gross)	$ 6,524,143	$ 7,459,909	$ 7,526,584	$ 8,104,046	$ 8,643,027	$ 38,257,709
Per Diem Allowances	1,406,691	1,544,781	1,618,450	1,651,370	1,857,191	8,078,483
Travel Expenses	532,248	549,037	582,444	579,933	636,726	2,880,388
Rent	141,408	146,757	152,633	160,958	166,189	767,945
Employer's Retirement, Insurance and F.I.C.A. Contributions	214,233	503,160	507,407	575,635	648,670	2,449,105
Other Expenses	227,768	195,376	234,542	297,859	280,264	1,235,809
TOTAL	$ 9,046,491	$10,399,020	$ 10,622,060	$ 11,369,801	$ 12,232,067	$ 53,669,439
Semi-Annual Assessment Rates per $1,000 of Assets	3¼¢ 3¢	3¢ 3¢	3¢ 3½¢	3½¢ 3½¢	3½¢ 3½¢	
Net Excess of Total Costs over Total Income	$ 178,430	$ 1,314,295	$ 550,544	$ 172,952	$ 586,652	$ 2,802,873
Total Unexpended Funds as of December 31st, (exclusive of non-recurring acquisition in 1957 of $209,452 of non-income operating funds)	$ 5,125,653	$ 3,811,358	$ 3,260,814	$ 3,087,862	$ 2,501,210	

1/ Including estimated figures, November thru December 1961.
(Note) Total Unexpended Funds as of December 31, 1956, $5,304,083 - Semi-Annual Assessment Rates for 1956, 3½¢ and 3½¢

Examination

National Banks

Federal Reserve District	Number of Banks 4-12-61	Aggregate Resources 4-12-61 (Millions)	Number of Banks (Commercial departments) which will not be examined three times in 1960-1961	Aggregate Resources (Millions)
1	231	6,495	52	3,278
2 (A)	331	16,844	37	1,033
3	425	6,178	19	968
4 (B)	381	11,357	115	4,189
5 (B)	312	6,714	20	712
6 (A)	349	10,504	71	5,425
7 (B)	587	22,313	88	7,243
8	319	4,982	37	989
9 (B)	347	4,680	9	187
10	620	8,101	0 (1)	0
11 (A)	513	10,711	133	3,172
12	108	27,217	0 (2)	0
	4,523	136,100	581 (3)	27,196

(A) These districts received help from other districts in 1960
(B) These districts gave help to other districts in 1960
(1) Will complete statutory examinations and have 360 man weeks available for other work
(2) Will complete statutory examinations and have 354 man weeks available for other work
(3) Includes:

Number of banks	Size Groups	Aggregate Resources
2	Over $1,000,000,000	$ 3,955,000,000
2	$500,000,000 - $1,000,000,000	1,378,000,000
15	$250,000,000 - $ 500,000,000	5,661,000,000
38	$100,000,000 - $ 250,000,000	5,593,000,000
524	under $100,000,000	10,609,000,000
581		$27,196,000,000

~~BETA - 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.

Banking institutions generally may submit tenders for account of customers

provided the names of the customers are set forth in such tenders.

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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 September 21, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on March 22, 1962 ~~(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 December 21, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 21, 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.~~ December 13, 1961

~~XXXXXXXXXXXXXXXXX(1)XXXXXXXXXXXXXXXXXX~~

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 December 21, 1961, in the amount of $ 1,700,536,000, as follows:

91 -day bills (to maturity date) to be issued December 21, 1961, in the amount of $ 1,100,000,000, or thereabouts, representing an additional amount of bills dated September 21, 1961, and to mature March 22, 1962, originally issued in the amount of $ 600,213,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 600,000,000, or thereabouts, to be dated December 21, 1961, and to mature June 21, 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 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 (maturit value).

Tenders will be received at Federal Reserve Banks and Branches up to the closi hour, one-thirty o'clock p.m., Eastern Standard time, Monday, December 18, 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

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 13, 1961

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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91-day bills (to maturity date) to be issued December 21, 1961, in the amount of \$1,100,000,000, or thereabouts, representing an additional amount of bills dated September 21,1961, and to mature March 22, 1962, originally issued in the amount of \$600,213,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$600,000,000, or thereabouts, to be dated December 21,1961, and to mature June 21, 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 Standard time, Monday, December 18, 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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 September 21,1961(91-days remaining until maturity date on March 22, 1962) 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 December 21, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 21,1961. 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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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, 1961, to Dec. 11, 1961	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1961 to Dec. 11, 1961
United Kingdom	4,323,457	1,535,670	1,441,152	1,441,152
Canada	239,690	239,690	-	-
France	227,420	75,807	75,807	75,807
British India	69,627	69,627	-	-
Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	-	12,853	-
Japan	341,535	335,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	34,462	25,443	23,484
Italy	21,263		7,088	-
	5,482,509	2,355,022	1,599,886	1,575,695

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939. Since that date the names of certain countries have been changed.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961.

D-329

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, 1961, to Dec. 11, 1961

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	779,456	Honduras	752	-
Peru	247,952		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	-
Brazil	618,723	618,723	Netherlands E. Indies	71,388	-
Union of Soviet Socialist Republics	475,124	114,908	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, 1961 - Dec. 11, 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	548,588
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961.

D-329

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Prepared in the Bureau of Customs.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939. Since that date the names of certain countries have been changed.

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Commodity	Period and Quantity		Unit of Quantity	Imports as of Dec. 2, 196
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butter fat............	Calendar Year	1,200,000	Pound	Quota Filled
Cotton products, except cotton wastes, produced in any stage preceding the spinning into yarn.........................	12 mos. from Sept. 11, 1961	1,000	Pound	Quota Filled
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...	12 mos. from Aug. 1, 1961	1,709,000	Pound	654,814*
Tung Oil......................	Nov. 1, 1961-Jan. 31, 1962			
	Argentina	5,525,000	Pound	1,750,785*
	Paraguay	741,000	Pound	630*
	Other Countries	234,000	Pound	-

* Imports through December 11, 1961.

TREASURY DEPARTMENT
Washington

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IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

D-330

The Bureau of Customs announced today preliminary figures showing the imports for consumption of the commodities listed below within quota limitations from the beginning of the quota periods to December 2, 1961, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Dec. 2, 1961
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	282
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	206
Cattle, 700 lbs. or more each (other than dairy cows).........	Oct. 1, 1961- Dec. 31, 1961	120,000	Head	32,499
Cattle less than 200 lbs. each...	12 mos. from April 1, 1961	200,000	Head	31,149
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.........	Calendar Year	32,600,645	Pound	Quota Filled
Tuna Fish.......................	Calendar Year	57,114,714	Pound	52,024,510
White or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	3,473,450
Other..........................	Sept. 15, 1961	36,000,000	Pound	1,721,276
Walnuts.........................	Calendar Year	5,000,000	Pound	Quota Filled
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1961- Oct. 31, 1962	69,000,000	Pieces	41,644,977*

*Imports through December 8, 1961

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

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* Imports through December 11, 1961.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

D-331

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1961, to December 2, 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 Dec. 2, 1961
Buttons.............	765,000	Gross	242,977
Cigars..............	180,000,000	Number	6,638,247
Coconut oil.........	403,200,000	Pound	150,467,930
Cordage.............	6,000,000	Pound	4,665,189
Tobacco.............	5,850,000	Pound	5,958,105

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

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Cordage.............	6,000,000	Pound	4,665,189
Tobacco.............	5,850,000	Pound	5,958,105

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

D-332

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

QUARTERLY QUOTA PERIOD - October 1 - December 31, 1961

IMPORTS - October 1 - December 11, 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	10,080,000	23,680,000	20,531,964	-		-	
Belgian Congo	-		-		-		5,440,000	5,328,615
Belgium and Luxemburg (total)	-		-		-		7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	13,977,466	66,480,000	45,899,297	37,840,000	31,956,701
Italy	-		-		-		3,600,000	
Mexico	-		36,880,000	28,547,926	70,480,000	65,656,361	6,320,000	2,803,176
Peru	16,160,000	8,789,173	12,880,000	7,728,997	35,120,000	30,947,247	3,760,000	400,004
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	11,289,235	-		-	
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,266,899	17,840,000	17,840,000	6,080,000	6,080,000

The above country designations are those specified in Presidential Proclamation No. 3257 of September 22, 1958. Since that date the names of certain countries have been changed.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, DECEMBER 14, 1961

D-332

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IMPORTS - October 1 - December 11, 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	20,531,964	-		-	
Belgian Congo	-		-		-		5,440,000	5,328,615
Belgium and Luxemburg (total)	-		-		-		7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-		-		-	
Canada	13,440,000	13,440,000	15,920,000	13,977,466	66,480,000	45,899,297	37,840,000	31,956,701
Italy	-		-		-		3,600,000	
Mexico	-		36,880,000	28,547,926	70,480,000	65,656,361	6,320,000	2,803,176
Peru	16,160,000	8,789,173	12,880,000	7,728,997	35,120,000	30,947,247	3,760,000	400,004
Un. So. Africa	14,880,000	14,880,000	-		-		-	
Yugoslavia	-		15,760,000	11,289,235	-		-	
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	5,266,899	17,840,000	17,840,000	6,080,000	6,080,000

The above country designations are those specified in Presidential Proclamation No. 3257 of September 22, 1958. Since that date the names of certain countries have been changed.

PREPARED IN THE BUREAU OF CUSTOMS

Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

	Sept. 27, 1961	June 30, 1961	Oct. 3, 1960	Increase or decrease since June 30, 1961		Increase or decrease since Oct. 3, 1960	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	60,131,865	59,212,875	59,025,547	918,990	1.55	1,106,318	1.87
Time and savings	41,379,308	40,338,073	35,972,754	1,041,235	2.58	5,406,554	15.03
Deposits of U. S. Government	4,835,726	3,748,898	4,087,800	1,086,828	28.99	747,926	18.30
Postal savings deposits	7,969	8,074	8,297	-105	-1.30	-328	-3.95
Deposits of States and political subdivisions	9,164,153	9,762,861	8,473,965	-598,708	-6.13	690,188	8.14
Deposits of banks	8,252,977	7,848,020	8,885,686	404,957	5.16	-632,709	-7.12
Other deposits (certified and officers' checks, etc.)	1,399,562	1,566,137	1,509,134	-166,575	-10.64	-109,572	-7.26
Total deposits	125,171,560	122,484,938	117,963,183	2,686,622	2.19	7,208,377	6.11
Rediscounts and other liabilities for borrowed money	1,085,863	355,466	1,013,323	730,397	205.48	72,540	7.16
Other liabilities	3,247,223	3,019,538	3,254,378	227,685	7.54	-7,155	-.22
Total liabilities, excluding capital accounts	129,504,646	125,859,942	122,230,884	3,644,704	2.90	7,273,762	5.9
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,506,951	3,477,080	3,306,547	29,871	.86	200,404	6.0
Preferred	3,268	1,323	1,530	1,945	147.01	1,738	113.5
Total	3,510,219	3,478,403	3,308,077	31,816	.91	202,142	6.1
Surplus	5,655,738	5,620,169	5,250,859	35,569	.63	404,879	7.7
Undivided profits	2,237,432	2,071,321	2,201,129	166,111	8.02	36,303	1.6
Reserves	275,228	269,160	249,388	6,068	2.25	25,840	10.3
Total surplus, profits and reserves	8,168,398	7,960,650	7,701,376	207,748	2.61	467,022	6.0
Total capital accounts	11,678,617	11,439,053	11,009,453	239,564	2.09	669,164	6.0
Total liabilities and capital accounts	141,183,263	137,298,995	133,240,337	3,884,268	2.83	7,942,926	5.9
RATIOS:	Percent	Percent	Percent				
U.S.Gov't securities to total assets	25.31	24.42	22.97				
Loans & discounts to total assets	46.13	46.21	47.39				
Capital accounts to total deposits	9.33	9.34	9.33				

Statement showing comparison of principal items of assets and liabilities of active national banks
as of Sept. 27, 1961, June 30, 1961 and Oct. 3, 1960

(In thousands of dollars)

	Sept. 27, 1961	June 30, 1961	Oct. 3, 1960	Increase or decrease since June 30, 1961		Increase or decrease since Oct. 3, 1960	
				Amount	Percent	Amount	Percent
Number of banks	4,523	4,524	4,535	-1		-12	
ASSETS							
Commercial and industrial loans	23,787,422	23,665,552	23,414,546	121,870	.51	372,876	1.59
Loans on real estate	16,205,767	15,837,818	15,416,351	367,949	2.32	789,416	5.12
Loans to financial institutions	4,977,590	3,738,144	4,911,095	1,239,446	33.16	66,495	1.35
All other loans	21,511,864	21,546,754	20,629,765	-34,890	-.16	882,099	4.28
Total gross loans	66,482,643	64,788,268	64,371,757	1,694,375	2.62	2,110,886	3.28
Less valuation reserves	1,355,944	1,348,416	1,234,579	7,528	.56	121,365	9.83
Net loans	65,126,699	63,439,852	63,137,178	1,686,847	2.66	1,989,521	3.15
U. S. Government securities:							
Direct obligations	35,613,945	33,397,413	30,507,592	2,216,532	6.64	5,106,353	16.74
Obligations fully guaranteed	124,167	124,680	91,209	-513	-.41	32,958	36.13
Total U. S. securities	35,738,112	33,522,093	30,598,801	2,216,019	6.61	5,139,311	16.80
Obligations of States and political subdivisions	10,630,990	10,123,742	9,123,621	507,248	5.01	1,507,369	16.52
Other bonds, notes and debentures	1,590,467	1,419,736	1,245,349	170,731	12.03	345,118	27.71
Corporate stocks, including stocks of Federal Reserve banks	340,572	337,241	316,748	3,331	.99	23,824	7.52
Total securities	48,300,141	45,402,812	41,284,519	2,897,329	6.38	7,015,622	16.99
Total loans and securities	113,426,840	108,842,664	104,421,697	4,584,176	4.21	9,005,143	8.62
Currency and coin	2,024,877	1,491,071	1,546,553	533,806	35.80	478,324	30.93
Reserve with Federal Reserve banks	10,036,033	10,341,259	10,833,627	-305,226	-2.95	-797,594	-7.36
Balances with other banks	12,428,725	13,441,910	13,466,182	-1,013,185	-7.54	-1,037,457	-7.70
Total cash, balances with other banks, and cash items in process of collection	24,489,635	25,274,240	25,846,362	-784,605	-3.10	-1,356,727	-5.25
Other assets	3,266,788	3,182,091	2,972,278	84,697	2.66	294,510	9.91
Total assets	141,183,263	137,298,995	133,240,337	3,884,268	2.83	7,942,926	5.96

Loans to brokers and dealers in securities and to others for the purpose of purchasing or carrying stocks, bonds, and other securities of $1,922,000,000 increased $49,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $12,964,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,355,944,000) to total assets on September 27, 1961 was 46.13 in comparison with 47.39 on October 3, 1960.

Total investments of the banks in bonds, stocks, and other securities aggregated $48,300,000,000. Included in the investments were obligations of the United States Government of $35,738,000,000 ($124,167,000 of which were guaranteed obligations). These investments, representing 25.31 percent of total assets, showed an increase of $5,139,000,000 since October 3, 1960. Other bonds, stocks, and securities of $12,562,000,000, including $10,631,000,000 of obligations of States and other political subdivisions, showed an increase of $1,876,000,000.

Cash of $2,025,000,000, reserves with Federal Reserve banks of $10,036,000,000, and balances with other banks (including cash items in process of collection) of $12,429,000,000, a total of $24,490,000,000, showed a decrease of $1,357,000,000.

Rediscounts and other liabilities for borrowed money of $1,086,000,000 showed an increase of $72,540,000 in the year.

Total capital funds of the banks on September 27, 1961 of $11,679,000,000, equal to 9.33 percent of total deposits, were $669,000,000 more than in October 1960. Included in the capital funds were capital stock of $3,510,000,000, of which $3,268,000 was preferred stock; surplus of $5,656,000,000; undivided profits of $2,238,000,000 and capital reserves of $275,000,000.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A.M. NEWSPAPERS,
MONDAY, DECEMBER 18, 1961

December 15, 1961

COMPTROLLER OF THE CURRENCY REPORTS TOTAL ASSETS AND LIABILITIES OF ACTIVE NATIONAL BANKS ON SEPTEMBER 27, 1961

The total assets of the 4,523 active national banks in the United States and possessions on September 27, 1961 amounted to $141,200,000,000, it was announced today by Comptroller of the Currency James J. Saxon. The total assets showed an increase of $7,900,000,000 over the amount reported by the 4,535 banks on October 3, 1960.

The deposits of the banks on September 27, 1961 were $125,200,000,000, an increase of $7,200,000,000 in the year. Included in the deposit figures were demand deposits of individuals, partnerships, and corporations of $60,000,000,000, an increase of $1,100,000,000, and time and savings deposits of individuals, partnerships, and corporations of $41,000,000,000, an increase of $5,400,000,000. Deposits of the United States Government of $4,836,000,000 increased $748,000,000; deposits of States and political subdivisions of nearly $9,200,000,000 increased $690,000,000; and deposits of banks of $8,253,000,000 showed a decrease of $633,000,000. Postal savings deposits were $7,969,000 and certified and officers' checks, etc. were $1,400,000,000

Gross loans and discounts on September 27, 1961 of $66,500,000,000 showed an increase of $2,111,000,000 over October 3, 1960. Commercial and industrial loans amounted to $23,787,000,000 and increased $373,000,000 during the year, while loans on real estate of $16,206,000,000 increased $789,000,000. Loans to financial institutions amounted to $4,978,000,000, an increase of $66,000,000. Retail automobile installment loans of $4,975,000,000 showed a decrease of $32,000,000. Other types of retail installment loans of $1,650,000,000 showed an increase of $43,000,000.

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TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A.M. NEWSPAPERS,
MONDAY, DECEMBER 18, 1961

December 15, 1961

COMPTROLLER OF THE CURRENCY REPORTS TOTAL ASSETS AND LIABILITIES OF ACTIVE NATIONAL BANKS ON SEPTEMBER 27, 1961

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Loans to brokers and dealers in securities and to others for the purpose of purchasing or carrying stocks, bonds, and other securities of $1,922,000,000 increased $49,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $12,964,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,355,944,000) to total assets on September 27, 1961 was 46.13 in comparison with 47.39 on October 3, 1960.

Total investments of the banks in bonds, stocks, and other securities aggregated $48,300,000,000. Included in the investments were obligations of the United States Government of $35,738,000,000 ($124,167,000 of which were guaranteed obligations). These investments, representing 25.31 percent of total assets, showed an increase of $5,139,000,000 since October 3, 1960. Other bonds, stocks, and securities of $12,562,000,000, including $10,631,000,000 of obligations of States and other political subdivisions, showed an increase of $1,876,000,000.

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Statement showing comparison of principal items of assets and liabilities of active national banks as of Sept. 27, 1961, June 30, 1961 and Oct. 3, 1960

(In thousands of dollars)

	Sept. 27, 1961	June 30, 1961	Oct. 3, 1960	Increase or decrease since June 30, 1961		Increase or decrease since Oct. 3, 1960	
				Amount	Percent	Amount	Percent
Number of banks	4,523	4,524	4,535	-1		-12	
ASSETS							
Commercial and industrial loans	23,787,422	23,665,552	23,414,546	121,870	.51	372,876	1.59
Loans on real estate	16,205,767	15,837,818	15,416,351	367,949	2.32	789,416	5.12
Loans to financial institutions	4,977,590	3,738,144	4,911,095	1,239,446	33.16	66,495	1.35
All other loans	21,511,864	21,546,754	20,629,765	-34,890	-16	882,099	4.28
Total gross loans	66,482,643	64,788,268	64,371,757	1,694,375	2.62	2,110,886	3.28
Less valuation reserves	1,355,944	1,348,416	1,234,579	7,528	.56	121,365	9.83
Net loans	65,126,699	63,439,852	63,137,178	1,686,847	2.66	1,989,521	3.15
U. S. Government securities:							
Direct obligations	35,613,945	33,397,413	30,507,592	2,216,532	6.64	5,106,353	16.74
Obligations fully guaranteed	124,167	124,680	91,209	-513	-.41	32,958	36.13
Total U. S. securities	35,738,112	33,522,093	30,598,801	2,216,019	6.61	5,139,311	16.80
Obligations of States and political subdivisions	10,630,990	10,123,742	9,123,621	507,248	5.01	1,507,369	16.52
Other bonds, notes and debentures	1,590,467	1,419,736	1,245,349	170,731	12.03	345,118	27.71
Corporate stocks, including stocks of Federal Reserve banks	340,572	337,241	316,748	3,331	.99	23,824	7.52
Total securities	48,300,141	45,402,812	41,284,519	2,897,329	6.38	7,015,622	16.99
Total loans and securities	113,426,840	108,842,664	104,421,697	4,584,176	4.21	9,005,143	8.62
Currency and coin	2,024,877	1,491,071	1,546,553	533,806	35.80	478,324	30.93
Reserve with Federal Reserve banks	10,036,033	10,341,259	10,833,627	-305,226	-2.95	-797,594	-7.36
Balances with other banks	12,428,725	13,441,910	13,466,182	-1,013,185	-7.54	-1,037,457	-7.70
Total cash, balances with other banks, and cash items in process of collection	24,489,635	25,274,240	25,846,362	-784,605	-3.10	-1,356,727	-5.25
Other assets	3,266,788	3,182,091	2,972,278	84,697	2.66	294,510	9.91
Total assets	141,183,263	137,298,995	133,240,337	3,884,268	2.83	7,942,926	5.96

Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

	Sept. 27, 1961	June 30, 1961	Oct. 3, 1960	Increase or decrease since June 30, 1961: Amount	Increase or decrease since June 30, 1961: Percent	Increase or decrease since Oct. 3, 1960: Amount	Increase or decrease since Oct. 3, 1960: Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	60,131,865	59,212,875	59,025,547	918,990	1.55	1,106,318	1.8
Time and savings	41,379,308	40,338,073	35,972,754	1,041,235	2.58	5,406,554	15.0
Deposits of U. S. Government	4,835,726	3,748,898	4,087,800	1,086,828	28.99	747,926	18.3
Postal savings deposits	7,969	8,074	8,297	-105	-1.30	-328	-3.95
Deposits of States and political subdivisions	9,164,153	9,762,861	8,473,965	-598,708	-6.13	690,188	8.14
Deposits of banks	8,252,977	7,848,020	8,885,686	404,957	5.16	-632,709	-7.12
Other deposits (certified and officers' checks, etc.)	1,399,562	1,566,137	1,509,134	-166,575	-10.64	-109,572	-7.26
Total deposits	125,171,560	122,484,938	117,963,183	2,686,622	2.19	7,208,377	6.11
Rediscounts and other liabilities for borrowed money	1,085,863	355,466	1,013,323	730,397	205.48	72,540	7.16
Other liabilities	3,247,223	3,019,538	3,254,378	227,685	7.54	-7,155	-.22
Total liabilities, excluding capital accounts	129,504,646	125,859,942	122,230,884	3,644,704	2.90	7,273,762	5.95
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,506,951	3,477,080	3,306,547	29,871	.86	200,404	6.06
Preferred	3,268	1,323	1,530	1,945	147.01	1,738	113.59
Total	3,510,219	3,478,403	3,308,077	31,816	.91	202,142	6.11
Surplus	5,655,738	5,620,169	5,250,859	35,569	.63	404,879	7.71
Undivided profits	2,237,432	2,071,321	2,201,129	166,111	8.02	36,303	1.65
Reserves	275,228	269,160	249,388	6,068	2.25	25,840	10.36
Total surplus, profits and reserves	8,168,398	7,960,650	7,701,376	207,748	2.61	467,022	6.06
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Total liabilities and capital accounts	141,183,263	137,298,995	133,240,337	3,884,268	2.83	7,942,926	5.96
	Percent	Percent	Percent				
RATIOS:							
U.S.Gov't securities to total assets	25.31	24.42	22.97				
Loans & discounts to total assets	46.13	46.21	47.39				
Capital accounts to total deposits	9.33	9.34	9.33				

DEC 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 November:

Purchases	$228,430,900.00
Sales	171,151,900.00
Net Purchases	$57,279,000.00

TREASURY DEPARTMENT

WASHINGTON, D.C.

November ~~15,~~ 15 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~OCTOBER~~ November

During ~~October~~ November 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 $~~36,797,000~~ 57,279,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 15, 1961

IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN NOVEMBER

During November 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 $57,279,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

559

December 15, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RED CEDAR SHINGLES
AND SHAKES UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that red cedar shingles and shakes from Canada 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 determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received during 1961 was approximately $13,300,000.

TREASURY DEPARTMENT

564

WASHINGTON, D.C.

December 15, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RED CEDAR SHINGLES
AND SHAKES UNDER THE ANTIDUMPING ACT

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The dollar value of imports of the involved merchandise received during 1961 was approximately $13,300,000.

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.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders.

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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 September 28, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on March 29, 1962 ~~(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 December 28, 1961 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 28, 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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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE ~~xxxxxxxx~~, December 15, 1961

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ (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 $ 1,700,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing December 28, 1961 (3), in the amount of $ 1,700,447,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued December 28, 1961 (6), in the amount of $1,100,000,000 (7), or thereabouts, representing an additional amount of bills dated September 28, 1961 (8), and to mature March 29, 1962 (9), originally issued in the amount of $ 600,070,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 600,000,000 (12), or thereabouts, to be dated December 28, 1961 (13), and to mature June 28, 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 amoun 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 (maturit value).

Tenders will be received at Federal Reserve Banks and Branches up to the closin hour, one-thirty o'clock p.m., Eastern Standard time, Friday, December 22, 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.

December 15, 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, or thereabouts, for cash and in exchange for Treasury bills maturing December 28, 1961, in the amount of $1,700,447,000, as follows:

91-day bills (to maturity date) to be issued December 28, 1961, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated September 28, 1961, and to mature March 29, 1962, originally issued in the amount of $600,070,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated December 28, 1961, and to mature June 28, 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 Standard time, Friday, December 22, 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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 September 28,1961,(91-days remaining until maturity date on March 29,1962) 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 December 28, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 28, 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 hereunde: 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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December 18, 1961

FOR RELEASE A. M. NEWSPAPERS, Tuesday, December 19, 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 September 21, 19[illegible] and the other series to be dated December 21, 1961, which were offered on December 13, w[illegible] opened at the Federal Reserve Banks on December 18. Tenders were invited for $1,100,000[illegible] or thereabouts, of 91-day bills and for $600,000,000, or thereabouts, of 182-day bills. details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing March 22, 1962			182-day Treasury bills maturing June 21, 1962	
	Price	Approx. Equiv. Annual Rate		Price	Approx. Equiv. Annual Rate
High	99.331 a/	2.647%	:	98.540 b/	2.888%
Low	99.322	2.682%	:	98.520	2.927%
Average	99.325	2.670% 1/	:	98.526	2.915% 1/

a/ Excepting 2 tenders totaling $530,000; b/ Excepting 1 tender of $4,032,000
49 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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE

District	Applied For	Accepted		Applied For	Accepted
Boston	$ 35,130,000	$ 27,540,000	:	$ 19,741,000	$ 17,691,000
New York	1,760,937,000	755,833,000	:	934,644,000	441,523,000
Philadelphia	32,260,000	10,850,000	:	8,141,000	3,141,000
Cleveland	38,623,000	37,417,000	:	25,953,000	24,121,000
Richmond	19,120,000	16,789,000	:	2,881,000	2,831,000
Atlanta	30,636,000	23,981,000	:	8,816,000	7,016,000
Chicago	207,573,000	95,838,000	:	94,900,000	56,196,000
St. Louis	35,088,000	27,088,000	:	6,502,000	4,870,000
Minneapolis	19,990,000	10,690,000	:	6,478,000	2,758,000
Kansas City	60,898,000	31,890,000	:	14,582,000	10,222,000
Dallas	30,527,000	27,527,000	:	7,324,000	3,924,000
San Francisco	52,531,000	35,890,000	:	34,812,000	25,901,000
TOTALS	$2,323,313,000	$1,101,333,000 c/		$1,164,774,000	$600,194,000 d/

c/ Includes $239,466,000 noncompetitive tenders accepted at the average price of 99.325
d/ Includes $52,163,000 noncompetitive tenders accepted at the average price of 98.526
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.73%, for the 91-day bills, and 3.00%, 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.
December 18, 1961

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 18, 1961

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FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY TO HOLD PUBLIC HEARING ON PROPOSED MERGER OF NATIONAL BANK OF DETROIT AND BANK OF LIVONIA

The Comptroller of the Currency announced today that he had at the request of the National Bank of Detroit, Detroit, Michigan, ordered a public hearing on the application for approval of the proposed merger of Bank of Livonia, Livonia, Michigan, and the National Bank of Detroit, Detroit, Michigan. The hearing is scheduled for 9:30 a. m. Friday, January 5, 1962, in room 4121 of the Main Treasury Building, Washington, D. C. The hearing will be on an informal basis, and will be conducted by the Comptroller.

All interested parties are invited to submit their views either by letter or orally on the subject matter of the hearing.

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December 18, 1961

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 18, 1961

December 18, 1961

IMMEDIATE RELEASE

SUBSCRIPTION FIGURES FOR TREASURY OFFERING
OPEN TO HOLDERS OF SERIES F AND G SAVINGS BONDS MATURING IN 1962

The Treasury Department today announced the results of the current exchange offering of 3-7/8 percent Treasury Bonds of 1968, dated June 23, 1960, maturing May 15, 1968, at a price of 99.50%, with certain interest and other adjustments as of December 15, 1961, open to holders of $970 million of outstanding Series F and G savings bonds maturing in 1962.

Amounts exchanged were divided among the Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	Series F bonds Exchanged	Series G bonds Exchanged	Cash Adjustments	Total Allotments
Boston	$ 1,423,000	$ 23,104,100	$ 10,900	$ 24,538,000
New York	5,360,950	43,422,900	48,650	48,832,500
Philadelphia	2,983,500	19,969,500	39,500	22,992,500
Cleveland	2,821,200	21,558,400	23,400	24,403,000
Richmond	1,351,025	16,300,200	13,275	17,664,500
Atlanta	2,374,175	11,395,100	10,225	13,779,500
Chicago	17,451,125	48,443,200	74,175	65,968,500
St. Louis	3,917,125	19,728,100	24,275	23,669,500
Minneapolis	5,245,150	13,538,100	13,750	18,797,000
Kansas City	4,159,650	23,412,000	16,850	27,588,500
Dallas	1,017,050	8,915,800	8,650	9,941,500
San Francisco	846,550	19,021,900	15,550	19,884,000
Treasury	230,600	2,019,600	5,800	2,256,000
TOTALS	$49,181,100	$270,828,900	$305,000	$320,315,000

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 18, 1961

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TOTALS	$49,181,100	$270,828,900	$305,000	$320,315,000

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D-338

The Secretary of the Treasury takes great pleasure in presenting The Alexander Hamilton Medal to

A. GILMORE FLUES
ASSISTANT SECRETARY OF THE TREASURY

for services as set forth in the following

SPECIAL CITATION:

"For outstanding leadership in the Treasury Department which has brought substantial benefit to the people of our Nation. His devotion to duty as Assistant Secretary of the Treasury from December 20, 1957, to the present time, has resulted in increasing the efficiency of important bureaus of the Department at a time when their contribution to the safety and well-being of the Nation has been of particular value.

"Among the fruits of the leadership provided by Assistant Secretary Flues have been: The speeding and simplification of customs formalities, more effective control of international narcotics traffic; improved tariff classification, anti-dumping legislation and regulation, and administration of laws against unfair trade practices; more efficient and effective operation of the United States Coast Guard and a higher scholastic performance at its Academy; and promption of greater international cooperative efforts to suppress counterfeiting."

TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 19, 1961

FOR IMMEDIATE RELEASE

ASSISTANT SECRETARY FLUES RECEIVES THE ALEXANDER HAMILTON MEDAL

Treasury Secretary Douglas Dillon today presented to outgoing Assistant Secretary A. Gilmore Flues the Alexander Hamilton Medal, the Treasury's highest award. This award is given for outstanding and distinguished leadership in the Treasury Department.

Mr. Flues' resignation as Assistant Secretary becomes effective today.

Secretary Dillon read the following special citation at a ceremony in the Treasury Building at noon:

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December 19, 1961

~~xxx~~ FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

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The Alexander Hamilton Medal is of gold and bears a bas-relief portrait of Hamilton, the first Secretary of the Treasury, on one side and the Treasury seal on the other. A certificate signed by the Secretary of the Treasury accompanies the award.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 19, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY DENIES APPLICATION TO MERGE THE FIRST NATIONAL CITY BANK OF NEW YORK AND THE NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, NEW YORK

Comptroller of the Currency James J. Saxon announced today that he had denied the application to merge The First National City Bank of New York and National Bank of Westchester, White Plains, New York. Mr. Saxon stated that he had denied the application on the basis of a consideration of the convenience and needs of the community and the unbalanced nature of the banking structure which in the judgment of the Comptroller would result in Westchester County from approval of this merger.

A copy of the decision is attached.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 19, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY DENIES APPLICATION TO MERGE THE FIRST NATIONAL CITY BANK OF NEW YORK AND THE NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, NEW YORK

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A copy of the decision is attached.

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DECISION OF COMPTROLLER OF THE CURRENCY JAMES J. SAXON ON THE APPLICATION TO MERGE NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, NEW YORK, AND THE FIRST NATIONAL CITY BANK OF NEW YORK, NEW YORK

STATEMENT

Application has been filed with the Comptroller of the Currency to merge National Bank of Westchester, White Plains, New York, and The First National City Bank of New York, New York.

The First National City Bank, one of the nation's outstanding institutions, is the second largest bank in New York, and the third largest in the nation. It had on September 27, 1961, total resources of $7,952,198,366.49. It operates 85 branches in New York City, and three in Nassau County, as well as 79 foreign branches. It has received approval to establish two branches in Westchester County, one in Eastchester, and one in Harrison. Neither of these is open or expected to be open for some time. Thus it presently has no branches operating in Westchester County.

National Bank of Westchester, White Plains, is the second largest bank in Westchester County. It had on September 27, 1961, total resources of $271,214,235.91. Its main office is in White Plains, 29.3 miles from New York City. It operates no branches in New York City. The largest bank in Westchester County is County Trust Company, with total resources on September 27, 1961, of $541,351,126.49. It has 41 branches, all of them in Westchester County. In addition to these two, there are 7 other commercial banks with main offices in Westchester County of which the smallest is First National Bank of North Tarrytown with total resources of $14,973,388.39. It operates only in North Tarrytown and has no branches. In Westchester County there also is a branch of Bank of Commerce of New York in Yonkers, and a branch of Chemical Bank New York Trust Company in Eastchester. Approval has been granted for the establishment of a branch of Chase Manhattan Bank in Hartsdale, but this branch is not yet open.

New York is, of course, the largest metropolitan area in the nation, with a population in excess of 10.5 million. The City itself has a population of

7,781,984. It has a number of very large banks vigorously competing for local business as well as for national and international business. It is perhaps the most intensely competitive banking market in the nation.

Westchester County is immediately north of and contiguous to New York City. According to official census publications it is a part of the New York metropolitan area. It has an area of 435 square miles, with a population of 808,891. It has a density of population of 1,859.5 persons per square mile, but a large proportion of the population is concentrated in a number of cities in the southern portion of the county adjacent to New York City. These include Yonkers, with a population of 190,634, New Rochelle with a population of 76,812, and Mount Vernon with a population of 76,010.

If this merger should be approved, and if there should be approved the establishment and operation by The First National City Bank of New York of branches at the sites of the main office of the National Bank of Westchester, and of each of its branches, The First National City Bank would thereby acquire 26 offices in Westchester County, out of a total of 110 commercial bank offices therein.

The commercial banks in Westchester County with their total resources and number of branches are:

TITLE AND LOCATION	TOTAL RESOURCES*	BRANCHES
"The Gramatan National Bank and Trust Company of Bronxville", Bronxville, New York	$ 19,365,205.69	1
"Northern Westchester National Bank, Chappaqua", Chappaqua, New York	19,194,324.46	4
"The First National Bank of Mount Vernon", Mount Vernon, New York	52,453,485.63	3
"First Westchester National Bank of New Rochelle", New Rochelle, New York	86,390,033.13	13
"The First National Bank of North Tarrytown", North Tarrytown, New York	14,973,388.39	0
"Scarsdale National Bank and Trust Company", Scarsdale, New York	37,687,642.78	3
"National Bank of Westchester, White Plains", White Plains, New York	271,214,235.91	25
"First National Bank in Yonkers", Yonkers, New York	84,971,401.93	9
"County Trust Company", White Plains, New York	541,351,126.49	41

* As of 9-27-61

We find ourselves with heavy responsibilities in reaching our decision in this case. We must decide whether this merger is in the public interest, and that decision must be made under the provisions of Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), in the light of six significant statutory factors.[1] These factors are the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and the effect of the transaction on competition (including any tendency toward monopoly). We regard it as our duty to give the broadest possible significance to each of these factors in order that our decision may truly be in the public interest.

Of critical significance in this case are the convenience and needs of the communities involved and the effect of the merger upon competition (including any tendency toward monopoly).

<u>Convenience and Needs of the Community</u>

In connection with this factor we must take into consideration the convenience and needs of each community involved. These include: Westchester County, New York City, the New York Banking District as defined in the application,[2] New York State, the national banking market, and the international banking market. First and foremost, however, is the convenience and needs of the United States. We are charged with responsibility for insuring that our national banking system at all times has the capacity to perform and does perform its vital functions

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1 The seventh statutory factor, whether corporate powers are consistent with the purposes of the Federal Deposit Insurance Act has no significance in the case of national banks whose corporate powers are in every case consistent.

2 This includes the counties of New York, Bronx, Westchester, Nassau, Queens, Kings and Richmond.

of contributing to the free flow of money, the financing of government, national, state and local, the financing of trade and commerce, national and international, the financing of business and industry, the financing of home purchases, the financing of consumer purchases, and where necessary, the financing of war.

The national banking system must play a vital role in contributing to economic growth. Economic growth is a vital goal of our national economic policy. Achievement of the full potentials for our economic growth requires the most effective functioning of our commercial banking system. It is our judgment that the banking system has not performed in the fashion which is required if this goal is to be attained. We must re-examine, reconsider, and if necessary, revamp our national banking system to insure its adequacy to perform this vital role.

The vital role of banking in our economy is a prime reason for a NATIONAL banking system. Nearly 100 years ago, after two earlier experiments with single banks, the nation concluded that there was needed, and there was provided, a national banking system. Since that day in 1863 when the National Bank Act was first enacted, the Executive, the Congress, and the Courts have jealously protected that system against encroachment from any source. The courts have stated that, "National banks are national favorites,"[3] and have recognized that national banks are federal instrumentalities, created for public and national purposes.[4] The Congress has often legislated in the interests of the national banking system and to prevent it from being at any competitive disadvantage with respect to state banks, e.g., in the matter of branches. We represent the Executive as our predecessors in office have over nearly 100 years. It is our responsibility, and our responsibility alone, acting within the statutory policies prescribed by the Congress, to preserve and to protect

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[3] Tiffany v. Bank of Missouri, 18 Wall. 409, 413 (1874).

[4] Osborn v. The Bank of the United States, 9 Wheat. 738, 860 (1824); Van Reed v. Peoples National Bank, 198 U. S. 554 (1905); Franklin National Bank v. New York, 347 U. S. 373 (1954).

the national banking system, to insure that it has the capacity to and does perform its vital governmental functions, and here specifically to consider whether proposed mergers of national banks are in the public interest, and to decide whether they should or should not be permitted.[5] And so, it is in the light of this heavy responsibility that we must examine the proposal before us. We must do so with great care.

The effect of this proposal would be to substitute in Westchester County for the National Bank of Westchester, The First National City Bank of New York. As has been stated, by this merger the latter bank would acquire at once 26 branches in Westchester County. This would be in addition to one other branch for which it has received approval, but which is not yet in operation.[6]

Thus, should this merger be approved, the banking structure in Westchester County would consist of County Trust Company with 41 branches, The First National City Bank with 27 branches, 7 much smaller commercial banks with a total of 33 branches, and three branches of other New York City banks. Of the five largest New York City competitors of The First National City Bank, two would have one branch each in Westchester, with the other three having none. Such an unbalanced banking structure is our major cause for concern in connection with this merger.

It is desirable and in the public interest that New York City banks be permitted to branch in the suburban portions of the metropolitan area. Banks like other businesses should be permitted to follow their customers to the suburbs. As our society changes so must every business desiring to maintain its position and achieve its growth potential change also. One of the serious problems in banking today arises from legal restrictions, many of which were designed for an earlier age, which

[5] The National Bank Act is "A complete system for the establishment and government of national banks." Cook County National Bank v. United States, 107 U.S. 445, 448 (1883); Deitrick v. Greaney, 309 U.S. 190, 194 (1940).

[6] It has received approval to establish two branches in Westchester, but if the merger should be approved, one of these would be consolidated with a close-at-hand branch of National Bank of Westchester.

have hampered the proper accommodation by banks to the changing nature of our society, and have inhibited not only their growth, but their ability to serve efficiently our growing economy. Removal of the restrictions on New York City banks branching in Westchester and Nassau Counties shows recognition of these problems at the State level.

The most immediate advantage of this legislation to the public in Westchester and Nassau Counties is the price competition which will result and which to some extent has already resulted from the entry and prospective entry of the New York City banks. On personal loans The First National City Bank charges 4 3/4% discount, including insurance, whereas until very recently the Nassau and Westchester banks charged 6% discount, plus insurance, as most still do. The National Bank of Westchester now charges $4\frac{1}{2}\%$ discount, plus insurance, on new automobile loans, 6% on personal loans. The Franklin National Bank of Long Island now charges $4\frac{1}{4}\%$ on new automobile loans, and on personal loans is stated to be competitive with New York City banks. It is not unreasonable to suppose that the entry and prospective entry of the New York City banks were a factor in the decisions of the other banks to reduce their rates. Price competition resulting in lowered rates to the public is a matter of public entitlement and is not without substantial national economic significance, but is consistent with national aims and policy relating to production, employment, and growth.

There are other advantages. The larger banks have experts in very nearly every important line of industry. The presence of these experts not only enables the larger banks better to evaluate credit in specialized fields, but their knowledge and services are of inestimable benefit to the borrowers. The larger banks are thus enabled to give specialized services of a type not available from smaller banks. This also is to the public advantage.

It is likely also that the needs of small business in Westchester County would be better served as a result of this merger. There is aggressive competition among the larger banks of the country to service the needs of small business, and they do it well. The First National City Bank has pioneered and has been particularly outstanding in meeting the credit needs of and in aiding small business. It remains one of the nation's leaders in this respect. We are aware of criticisms to the effect that only local banks can serve local needs, and that the small businessman is more welcome at the smaller banks than at the larger ones. As a general proposition we are satisfied that this is not true. As was stated at the hearings on this merger, large banks do actually service the needs of small business.[7] Information submitted by the First National City Bank after the hearings and included in the record, concerning its activities in lending to small business, serves to confirm our view that small business in Westchester County would benefit from the entry therein of that bank.

Another considerable advantage which will flow from the entry of New York City banks is the more productive utilization of savings through improvement in the mobility of funds from areas of excess to places where they may be employed to better advantage. This is a point in favor of the merger rather than against it. The First National City Bank quite naturally desires to acquire surplus funds available in Westchester County for use throughout the scope of its operations. We believe there is general awareness of the need to remove impediments which may slow or obstruct the movement of capital to the uses which will contribute most effectively to the nation's economic growth.[8] Capital should not be artifically condemned to inferior uses.

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7 Transcript of Hearing, statement of the Comptroller of the Currency, pp. 197-199.

8 Transcript of Hearing, Collcquy between Mr. Arthur Roth and the Comptroller of the Currency, pp. 153-155

Since we are satisfied that substantial benefits will be derived from the entry of the New York City banks into Westchester County, the crucial question relates to the method by which, and the rapidity with which, access should be permitted. The response to this question depends in turn upon the comparative benefits to be derived from the entry of the New York City banks into Westchester County through gradual entry, as contrasted with the more precipitate method proposed here. It depends, finally, upon the effect of large-scale entry by merger on the banking structure of Westchester County.

It is our view that these substantial benefits will more desirably be made available in Westchester County through the establishment of de novo branches. We believe that large scale entry by this merger would cause an unreasonable distortion and dislocation in the present and future banking structure of Westchester County not consistent with the public interest according to the standards set forth in the Federal banking laws, particularly the so-called Bank Merger Act.

There is no doubt that the larger New York City banks are today actively seeking out acceptable branch sites in Westchester and Nassau Counties. Gradually, as the population shifts to what are now the lesser populated sections of the county, acceptable branch sites will be located, supervisory approval secured, and branches established. Already two of the larger New York banks have one branch each in Westchester, and The First National City Bank has secured approval for two. It seems likely that these branches, together with other branches which will be approved and established, will supply the competitive pressures necessary to bring the interest rates charged in Westchester more closely in line with those now charged in the intensely competitive New York City area. There is some evidence that this is already transpiring. As stated above, both National Bank of Westchester and County Trust Company in Westchester, and Franklin National Bank in Nassau, have to some extent lowered their interest rates. It may be assumed that these reductions were the result of developing competitive pressures, actual or anticipated.[9]

Since it appears that the competitive capacity of New York City banks is already making its influence felt on the loan-rate structure of Westchester, it may be concluded that the convenience and needs of that area in these terms will be served effectively through de novo branches, and without the merger.

There is no substantial evidence before us of failure to meet adequately the convenience and needs of the public of Westchester County in respect to matters other than interest rates on loans. It is generally agreed that there exists no lack of lending capacity there; it is indeed a funds-exporting area. There was testimony at the Hearing that all commercial banks in Westchester were paying the maximum rate of interest on savings deposits permissible under Regulation Q of the Board of Governors of the Federal Reserve System. No price competition, of course, is allowed for demand deposits. The improved and enlarged services which might be expected from the merger will come to Westchester County through the branches of the New York City banks which may now be anticipated. It appears, therefore, that approval of this merger is not warranted or required by a consideration of the critical question of the convenience and needs of Westchester County.

We attach serious implications to the prospective dislocations in the banking structure which we believe would result from this merger. There are two principal considerations: elimination of the National Bank of Westchester as a separate entity; and the markedly superior position which The First National City Bank would acquire over the other New York City banks in securing banking business

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[9] There are presently pending before the Board of Governors of the Federal Reserve System two mergers involving proposed acquisitions by large New York City banks of banks in Nassau each with a number of branches.

in Westchester County.

The National Bank of Westchester is a large, well-managed bank with its branch offices strategically located at various points in the County. If it now eliminated, it will forever cease to exist. We are convinced that from a longer-range viewpoint the elimination of this bank will have harmful effects, in terms of the public interest. It now has total resources in excess of $250 million. Located, as it is, in a rapidly growing portion of the largest metropolitan area in the nation, and with other factors favorable to its growth, its continued success seems assured. It is therefore our view that the continued existence in Westchester County of this bank outweighs any immediate benefits to be gained through this merger. Should this merger be approved, there would remain in Westchester County, aside from the New York City banks, County Trust Company with assets of more than $500 million, and a number of smaller commercial banks none as large as $100 million in size. Of the New York City banks, one would have 27 branches in Westchester County, while none of the others would have more than one branch. This would leave County Trust Company as the only really effective competitor of the New York City banks in Westchester.[10]

In contrast, should this merger be disapproved, there would continue to be two large banks serving Westchester County, both well able to service the convenience and needs of the County, and there would be preserved a reasonable equality-of-opportunity for entry into Westchester County of all New York City banks. Clearly, this offers the more hopeful prospect of developing and maintaining there a viable and balanced banking structure under the banking laws.

These considerations appear to us to be of paramount importance, and indicate that the merger should be disapproved. It is thus our judgment that entry of New York City banks into Westchester County should be by branches, now permitted

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[10] The smaller banks could, of course, and no doubt would, continue to grow; they could also provide effective competition, but only to the limits of their resources.

under New York Banking Law, and not through the proposed merger. We reach this judgment because of our concern that the proposed merger would produce serious distortions and dislocations, and so that the evolut ion of banking facilities in that area may be observed and controlled in the best interests of the communities involved and of the banking system.

The smaller banks in Westchester County, to the extent that they are able properly to service the needs of their respective communities, should be given the opportunity to grow and to prosper. It is our view that a balanced banking system consisting both of small banks and of larger banks is more desirable than one consisting solely or primarily of large banks or of smaller banks artifically protected from vigorous competition. While small banks can and do grow in competition with larger institutions, with unique benefit to the commercial banking system as such, approval of this merger could well beget an unbalanced banking structure depending primarily on larger banks, just as denial of substantial - if gradual - entry of the New York City banks could beget an unbalanced structure where large segments of the population would have to rely on smaller banks enjoying economically unjustifiable protection merely because of size.

If, as a matter of sound banking policy, the New York City banks are allowed to compete equitably for acceptable branch sites in Westchester County, this policy will itself lead to vigorous competition, with no one bank having an excessive advantage over the others. As the New York City banks enter that County, even though on a gradual basis, the banks now there, including County Trust Company and National Bank of Westchester, will find themselves under a constraint to meet the new competition. This competition will insure to the public the substantial benefits of one of the fruits of our system. There is no doubt that both of these latter-named banks are well able to compete domestically on a substantially equal basis with the largest New York City banks. The outcome will be in the public interest.

If entry is to be limited to the more gradual establishment of branches, as will be required under this decision, the banking authorities will be better able to observe and determine whether the desired effects in terms of price competition and in other material respects are being achieved. We shall maintain our interest in seeing that the banking needs of Westchester County are adequately and properly served, and that the banking public has the benefits which are expected of vigorous competition.

At the present time, rates in Westchester County and in Nassau County are substantially higher than those charged for comparable loans by the larger New York City banks. This results in some degree from the fact the banks in these counties have in the past been protected by State law from competition. Some of the banks in these Counties will continue to be protected by the Home Office Protection Law of the State.[11] We shall observe closely the situation in the cities where this rule applies.

If it should develop that the public interest does require entry on a substantial scale of branches of New York City banks, such entry will be authorized where legally permissible. Similarly, adequate and competitive servicing of the banking needs of the County by existing banks will determine our policy in granting new bank charters.

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[11] Section 105 of the New York Banking Law.

Effect of the Transaction on Competition (Including any Tendency toward Monopoly).

This is an issue charged with emotionalism and characterized at the present time by an almost complete lack of clarity and objectivity, brought about in part by an indiscriminate use of conceptual terms. There has to our knowledge been no adequate study of bank competition or the standards by which the effects upon competition of bank mergers should be measured. The nature of commercial banking and the regulatory framework under which it operates distinguish banking from the type of industrial enterprise to which the general antitrust laws were designed to apply, and render highly questionable for judging bank mergers the concepts developed in the application of those laws to industrial corporations. For example, there are geographical limitations upon the expansion of banks which place ultimate limits upon their possible growth. There is also to some extent federal regulation of the supply of money which is the raw material of the commercial banking business. This is a factor in limiting the growth of banks since a bank which prospers cannot, as an industrial corporation might do, purchase additional raw materials and increase productive capacity in order to grow. A bank can acquire more loanable funds only by generating additional deposits, a considerably more difficult undertaking than merely purchasing more supplie and producing more goods, and one which is subject to influences other than management decision. We believe it to be incumbent upon the bank supervisory agencies to institut studies aimed at developing proper standards to insure adequate competition in banking. It is the banking agencies alone that have the facilities, the background knowledge, the constant concern with the adequacy of banking to serve the financial needs of government and of industry, as well as the understanding of the monetary and fiscal policies and problems of the nation necessary to adequate consideration of this matter.[12] We have stated publicly that we shall institute such studies both internally and through the appointment of an advisory committee.

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12 "Both managers and examiners of financial institutions should always bear in mind the role of our financial institutions in promoting economic growth." The Report of the Commission on Money and Credit, p. 175.

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Moreover, under the so-called Bank Merger Act of 1960, (Section 18(c) of the Federal Deposit Insurance Act), the banking agencies have the ultimate responsibility for the determination of the effect upon competition of bank mergers. and for the preservation of effective but sound competition in banking. Their determinations, however, must, as the Congress wisely recognized in enacting the statute, be based on much broader considerations than competition alone.

We are unimpressed with the arguments presented to us that this proposed merger will have such an adverse effect upon competition as to require our disapproval. There have been no serious arguments presented to us that this merger would substantially lessen competition, and there is no evidence before us to support a conclusion that it would.[13] Such competition as the evidence indicates there may be between the applicant banks is not significant when considered in the light of the total competition existing in the areas in which the banks operate. We find that there would be no substantial lessening of competition resulting from this proposed merger.

It is urged upon us that this merger will result in a tendency toward monopoly. In order to find a tendency toward monopoly we must find that by this merger The First National City Bank would have moved measurably closer to the monopoly power of being able to control prices or to exclude competition.[14] First, however, there must

[13] The Federal Reserve report states that there is a "significant" amount of competition between the two banks, which would be eliminated. Neither the Department of Justice nor the Federal Deposit Insurance Corporation in its report to us on competition stat that there would be a substantial lessening of competition. In a supplemental letter addressed to us in response to our request for clarification of some aspects of its original report, the Department of Justice in support of its contention that Westches County is the relevant market area for this merger, urged that the Westchester banks are not in competition in an important way with New York banks.

[14] Transamerica Corp. v. Board of Governors, (C.A. 3, 1953) 206 F. 2d 163, cert. den. 346 U.S. 901.

be determined "the area or areas of existing effective competition in which monopoly power might be exercised."[15] The area chosen must constitute "a single area of effective competition among commercial banks."[16]

No one has suggested or could seriously suggest that this merger would create a tendency toward monopoly in the New York metropolitan area. On the contrary, it is urged that the effects of this merger must be measured in Westchester County alone. We agree that whatever competitive impact this merger would have would be in Westcheste County, and that there would be no impact to any significant degree elsewhere. It seems to us doubtful that a single portion of a large metropolitan area could realistically be regarded as constituting a single area of effective competition among commercial banks either from the viewpoint of enforcing the antitrust laws or of considering the effect upon competition under the Bank Merger Act, particularly when the large metropolitan banks are permitted to establish branches within the area. It is unnecessary for us to decide this question, however, for it is clear that this merger would create no tendency toward monopoly in Westchester County.

In the first place, we have considerable doubt that there can exist effective monopoly power in commercial banking as it operates in this country today. Here again is illustrated the difficulty of attempting to apply to banking antitrust concepts developed in connection with industrial enterprises. There are few other industries subject to governmental regulation and control to the same extent as commercial banking, and in the case of those that are it is usual that they are exempt from the antitrust laws in matters subject to regulation.[17] In the case of banks there are limitations on geographical expansion, there are limitations on the rates of

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[15] Ibid., p. 169

[16] Ibid.

[17] A good discussion of the interweaving of the antitrust laws and regulatory laws in connection with regulated industries may be found in California v. Federal Power Commission, No. 15687 (C.A.D.C., March 30, 1961), cert. granted, Oct. 9, 1961, 30 L.W. 3102.

interest which they may pay on time and savings deposits, they are prohibited from paying interest on demand deposits, they are limited by the usury laws in the interest which they may charge on loans;[18] the supply of loanable funds, which is their stock in trade is limited (1) by the amount of deposits they are able to generate, (2) by the reserves which they are required to keep with the Federal Reserve System, (3) by the amount of the total money supply at any given time, and in many other respects. The Board of Governors of the Federal Reserve System

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[18] National banking associations are probably subjected to as many regulations as any type of institution in this country. For example, the Comptroller's approval is required for: their chartering, the establishment of branches, mergers, consolidations, purchases of assets, assumption of liabilities, conversion from state into national banks, increases in capital, decreases in capital, stock dividends, dividends exceeding net profits for three years, certain types of borrowing, investment in bank premises in excess of the amount of capital, change of location, change of name, etc. They are subject to regulations of the Comptroller of the Currency regarding investment securities, real estate loans, engaging in the insurance business, acting as real estate broker, making loans on leaseholds, etc. They are subject to regulations of the Board of Governors of the Federal Reserve System with respect to: Reserves required to be maintained against deposits, amount of interest which may be paid on time and savings deposits, interlocking directorates, loans to executive officers, exercise of trust powers, collection of non-cash items, check clearing and collection, the establishment of foreign branches and foreign subsidiaries, affiliate relationships, relationships with dealers in securities, loans secured by registered stocks, etc. They are subject to regulations of the Federal Deposit Insurance Corporation with respect to advertising. They are prohibited by law from: establishing additional offices outside their own states, and in many cases within their own states, engaging in the securities business, underwriting and dealing in special revenue or corporate securities, lending more than a specified percentage of capital and surplus to any one borrower, making loans on real estate except in accordance with statutory requirements, owning real estate other than that necessary to their accommodation in their business, engaging in the banking business with less than a specified amount of capital, purchasing their own shares of stock or making loans on their own shares of stock, borrowing in excess of the amount of their capital, paying interest on demand deposits, charging interest in excess of that permitted by the usury laws, dealing with affiliates except in specified ways, accepting drafts in excess of specified amounts, acting as insurance agent or real estate brokers in towns of more than 5,000, acting as agent for nonmember banks in receiving discounts from Federal Reserve banks, acting as agent of any nonbanking person in making loans on the security of stocks to brokers or dealers, engaging in business transactions with their directors, except on specified terms, etc. Every national bank is required by law to be a member of the Federal Deposit Insurance Corporation and the Federal Reserve System; it must furnish periodic reports to the Comptroller of the Currency and the Federal Deposit Insurance Corporation upon calls submitted by them; it must submit to semiannual examinations by the Comptroller of the Currency; and its shareholders are subject to assessment for impairment of capital.

has several methods including the setting of reserve requirements and discount rates, and open market operations, which it can and does use to influence the money supply. It is not within the power of banks, as is true of industrial corporations, to increase freely their productive capacity. A bank which attempted to use lower interest rates on loans as a means of driving out competition would very soon find itself without loanable funds.

Whatever the risks may be that monopoly power could be attained in banking, we are satisfied that it could not be achieved in an area such as Westchester County, which is immediately adjacent to the most intensely competitive banking institutions in the nation, and which is open to branching by a significant number of those large and aggressive banks.

In Westchester County there is at the present time County Trust Company, a commercial bank with 41 offices and total resources of more than $500 million. This bank is and can continue to be an able and effective competitor. There is no doubt that a bank of this size and efficiency can compete and compete well with banks of the largest size, including The First National City Bank. In addition to County Trust, there are other commercial banks ranging in size from the First Westchester National Bank of New Rochelle, with total resources of $86 million, to The First National Bank of North Tarrytown, with total resources of $15 million. Each of these banks is protected from the establishment of branches of The First National City Bank in the city in which its main office is located, by the provisions of Section 105 of the New York Banking

Law.[19] We have no fear that these banks will be unable to compete effectively even when faced with increased competitive pressures. There are also located in Westchester County at the present time, two branches of New York City banks, a branch in Yonkers of the Bank of Commerce and a branch in Eastchester of The Chemical Bank New York Trust Company. Under New York and Federal law, New York state and national banks, respectively, can be authorized to establish additional branches in Westchester.

The First National City Bank's present policy of charging the same rates at all its offices, if continued, would restrict its capacity to use its admittedly great financial resources to achieve a monopoly position.[20] Any change in this policy, if there was any evidence that it was designed for the purpose either of achieving or exercising monopoly power, would bring the most intensive supervisory scrutiny.

We find that there is no foreseeable possibility of The First National City Bank acquiring monopoly power in Westchester County, and hence that there would be no tendency toward monopoly resulting from this merger.

Neither do we find that this merger would result in any undue concentration of banking resources in Westchester County. The First National City Bank of New York now has no offices, and hence no resources in Westchester County. The effect of this merger would be to substitute that bank in Westchester County for the National Bank of Westchester. This would result in no change in the concentrati

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[19] By this merger The First National City Bank would acquire branches in New Rochelle and in White Plains where are located the main offices respectively of First Westchester National Bank of New Rochelle and County Trust Company. It would be able to acquire no additional branches in either place because of the home office protection law.

[20] Transcript of Hearings, Testimony of Mr. George Moore, p. 93.

of resources in the County. It does not seem to us realistic to take account of all of the resources of The First National City Bank, acquired through its deposits in all of its other offices, in measuring the concentration of banking resources in Westchester County. Moreover, since Bank of Commerce and Chemical Bank New York Trust Company each have an office in Westchester, and The Chase Manhattan Bank soon will, that approach would require including also the total resources of all of those banks, thus obviously giving a greatly distorted view of the banking structure in Westchester County. Any increase in concentration resulting from this merger would have to be appraised in terms of the entire areas in which both banks operate. Viewed in this light, there would be no undue increase in concentration.

Objection has been made to this merger on the ground that the smaller banks in Westchester would find it difficult to compete with the lower rates and better services offered by The First National City Bank. As we have stated earlier, we have no fear that the smaller banks in Westchester County would be unable to compete effectively if this merger were approved, particularly in view of the home office protection which their main offices enjoy.[21] Even if we thought otherwise, however, we do not believe that this would be a proper basis upon which we could disapprove this merger. The purpose of assuring competition is to bring to the public the best and broadest services at the lowest cost. Only keen competition will insure this result. It seems to us to amount to a perversion of this concept to undertake the protection of small competitors from fair competition by larger competitors, if thereby the public is wholly or partly denied the benefits of competition to which it is entitled. By fair competition we mean competition in the

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21 It is perhaps significant that while each was invited to do so, no commercial bank operating in Westchester County appeared at the hearing in opposition to this merger, and only one commercial bank furnished for the record a statement in opposition.

absence of monopoly power, and without predatory purpose. We have concluded above that The First National City Bank could not foreseeably achieve monopoly power in Westchester County, and if the rates charged and services rendered in Westchester County were identical with those offered in New York City, that would be ample evidence that they were not fixed with a predatory purpose.[22]

We have been unable to find any authority, and none has been cited to us, to support a conclusion that there is any national policy to prevent fair competition which may adversely affect some rival firms, and we reject this argument. In response to a specific question from us, the Department of Justice has advised us that "Nothing in our national policy of free competition protects competitors of any size from the kind of competitive advantages First National City would enjoy in Westchester when such advantages are achieved through normal growth and efficiency," but that "Congress has chosen to close the path to the achievement of such advantages through combinations, mergers or acquisitions where the effect of such combinations may be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade." Since we are satisfied that the effect of this merger would not be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade, we are satisfied that considerations of the protection of smaller competitors would not be pertinent to our conclusion with regard to the effect upon competition.

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[22] See footnote 20.

As bank supervisors, we would, of course, be concerned with competition which might lead to insolvency, lack of reasonable earnings, or unsound practices on the part of any bank. This is one of the prime reasons for bank supervision and for requirements of supervisory approval of new charters, branches, mergers, etc. We must not confuse our consideration of banking factors, however, with our consideration of competitive factors. Part of the existing confusion concerning bank competiton stems from a failure properly to distinguish banking factors from competitive factors.

One other consideration needs mentioning. This proposed merger was for legitimate business purposes, and no part of the purpose was to eliminate a competitor nor to attempt to monopolize. Having been prohibited by law for more than a century from expanding into Westchester and Nassau Counties, The First National City Bank, as well as other large New York City banks, quite naturally are anxious to acquire a share of the banking business in those large, expanding areas. Like other business, banks desire to follow their customers to the suburbs. More important considerations, however, are the natural and laudable desires on the part of The First National City Ba to slow the proportionate decline in the volume of its business,[23] to secure additional deposits so the funds can be used in its national and international business, and thus to facilitate the free flow of funds from areas of surplus funds to areas of need. The fastest and most efficient way to accomplish these purposes would, of course, be to merge with another bank having a volume of deposits and a number of offices.

It has been suggested that the desirable results to be achieved by this merger could be achieved also through correspondent relationships. This shows a lack of understanding of the nature of those relationships as well as the basis upon which they exist. Such relationships exist primarily to breach artificial barriers and they result in services to the smaller banks in the nature of tax advice, investment advice, etc., which the small banks cannot easily provide for themselves. These services are compensated for, of course, by deposits maintained with the larger bank. Correspondent relationships are in no sense an adequate substitute for the establishment of branches.

Some of what we have considered under the convenience and needs factor might be pertinent also to the competitive factor. However, our primary concern has been with the balance of the banking system in Westchester County, the structure of the system, how best the banking needs of the community can be served, what sizes and types of banks there should be, the number of banks, etc. In our view these are clearly relevant to the banking factors and for determination by the Comptroller of the Currency in the exercise of his supervisory authority over the national banking system, rather than to the competitive factor, of the Bank Merger law, where the primary concern is with lessening of competition or tendency toward monopoly.

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[23] See comparison of growth in gross national product with growth in commercial bank assets in the merger application, p. 88; and the comparison of growth in gross national product with growth in total assets of the First National City Bank of New York submitted by the bank after the hearing for inclusion in the Record.

We are satisfied that the effect of this merger upon competition alone would not be such as to require its disapproval. If the benefits to be derived in Westchester County from the entry therein of the larger New York City banks could be secured only through this merger, we would have no hesitancy in approving it. We may say that it is our view that there has been a considerable over-emphasis placed upon an alleged lack of competition in banking, and an alleged concentration in banking. To the contrary, banking is highly competitive. It is diffuse rather than concentrated, and the smaller institutions by and large are growing at a faster rate than are the largest banks. We find no reason for concern over the future of competition in banking.

Other Factors

We have considered the financial history and condition of the banks involved, the adequacy of their capital structures, their future earnings prospects, the general character of their management, and whether their corporate powers are consistent with the purposes of the Federal Deposit Insurance Act. In our consideration of these factors we have found nothing to change our views as expressed above. Our action with respect to this merger should in no wise be regarded as any unfavorable reflection whatsoever on The First National City Bank of New York, nor its purposes in submitting this application. This bank is in the very first rank of American financial institutions, and is outstanding in every way.

Conclusion

In view of our conclusions with respect to the convenience and needs of the community involved, we have concluded that this merger should be, and it hereby is, disapproved.

James J. Saxon
Comptroller of the Currency

December 19, 1961

TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 19, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY DECLARES THE FIRST NATIONAL BANK OF MAUD, MAUD, OKLAHOMA, INSOLVENT

Comptroller of the Currency James J. Saxon today declared The First National Bank of Maud, Maud, Oklahoma, insolvent and appointed the Federal Deposit Insurance Corporation as Receiver. This action was taken due to the disclosure, during an examination, of apparent irregularities in sufficient amount to render the institution insolvent. The deposits of the bank are insured by the Federal Deposit Insurance Corporation to a maximum of $10,000 for each depositor.

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James J. Saxon

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engaged in anti-trust problems. Before that, he practiced law in New York City, Massachusetts, and New Hampshire. In addition to his law practice, he has served as executive officer and director of several corporations.

Assistant Secretary Reed served in motor torpedo boat squadrons in the South Pacific with the U. S. Navy during World War II. He is a graduate of the Harvard Law School, Amherst College and Deerfield Academy. He also studied at the Harvard School of Business Administration. He was born in Pittsfield, Massachusetts, in 1919. He is married to the former Julia Read of Holyoke, Massachusetts. They have four children, three girls and a boy.

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Press Release 804

December 20, 1961

JAMES A. REED SWORN IN A~~N~~S ASSISTANT SECRETARY OF THE TREASURY

Secretary Dillon today swore in Mr. James A. Reed of Massachusetts as Assistant Secretary of the Treasury. Mr. Reed's appointment was announced by President Kennedy on December 6.

In welcoming Mr. Reed to the Treasury, Secretary Dillon said: "In these critical times, the work of the Treasury and its operating bureaus is assuming ever greater importance to our nation and to the Free World. You can be proud to be part of this Department. We are proud to have you."

Succeeding A. Gilmore Flues, whose resignation became effective yesterday, Assistant Secretary Reed's appointment will come before the Senate when it reconvenes ~~next~~ IN January. His duties will include jurisdiction over the Bureau of Customs, Bureau of Engraving and Printing, Bureau of Narcotics, Office of Law Enforcement Coordination, and the United States Coast Guard.

At the time of his appointment, the new Assistant Secretary was Special Assistant to the Attorney General of the United States.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 20, 1961

FOR IMMEDIATE RELEASE

JAMES A. REED SWORN IN AS ASSISTANT SECRETARY
OF THE TREASURY

Secretary Dillon today swore in Mr. James A. Reed of Massachusetts as Assistant Secretary of the Treasury. Mr. Reed's appointment was announced by President Kennedy on December 6.

In welcoming Mr. Reed to the Treasury, Secretary Dillon said: "In these critical times, the work of the Treasury and its operating bureaus is assuming ever greater importance to our Nation and to the Free World. You can be proud to be part of this Department. We are proud to have you."

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At the time of his appointment, the new Assistant Secretary was Special Assistant to the Attorney General of the United States, engaged in anti-trust problems. Before that, he practiced law in New York City, Massachusetts, and New Hampshire. In addition to his law practice, he has served as executive officer and director of several corporations.

Assistant Secretary Reed served in motor torpedo boat squadrons in the South Pacific with the U. S. Navy during World War II. He is a graduate of the Harvard Law School, Amherst College and Deerfield Academy. He also studied at the Harvard School of Business Administration. He was born in Pittsfield, Massachusetts, in 1919. He is married to the former Julia Read of Holyoke, Massachusetts. They have four children, three girls and a boy.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 20, 1961

FOR IMMEDIATE RELEASE

TREASURY DECISION ON ACOUSTICAL TILE
UNDER THE ANTIDUMPING ACT

FOR IMMEDIATE RELEASE

TREASURY DECISION ON ACOUSTICAL TILE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that acoustical tile from Canada 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 determination will be published in the Federal Register.

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

The dollar value of imports of the involved merchandise received during the first 8 months of 1961 was approximately $100,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 20, 1961

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~~BETA - 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.

banking institutions generally may subn
tenders for account of customers provic
the names of the customers are set fort
in such tenders.

~~[illegible]~~ 609

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 inves ment 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 October 5, 1961 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on April 5, 1962 ~~(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 respec tive issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 4, 1962 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 4, 1962 ~~(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

IMMEDIATE RELEASE ~~XXXXXXXXXXX~~ December 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 $1,700,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 4, 1962, in the amount of $1,700,208,000, as follows:

91 -day bills (to maturity date) to be issued January 4, 1962, in the amount of $1,100,000,000, or thereabouts, representing an additional amount of bills dated October 5, 1961, and to mature April 5, 1962, originally issued in the amount of $600,246,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $600,000,000, or thereabouts, to be dated January 4, 1962, and to mature July 5, 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 Standard time, Friday, December 29, 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

TREASURY DEPARTMENT 611

WASHINGTON, D.C.

December 21, 1961

FOR IMMEDIATE RELEASE

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

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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 October 5, 1961, (91-days remaining until maturity date on April 5, 1962) and noncompetitive tenders for $ 100,000 or less for the 182-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 4, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 4, 1962. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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TREASURY DEPARTMENT 218

WASHINGTON, D.C.

December 26, 1961

FOR IMMEDIATE RELEASE

1962 SAVINGS BONDS CONFERENCE

Secretary Douglas Dillon today announced that he has invited 900 executives to attend a conference with top Government officials in Washington on January 19, 1962. The conference is being sponsored by the Savings Bonds Division of the Treasury Department.

The conference has two main purposes. The first is to launch the 1962 Savings Bonds Program, which makes a major contribution to government financing and national thrift. The second is to give leading executives in business, labor, banking, communications and other fields a report on national and international problems and the fiscal, monetary, defense and foreign policies adopted to meet them.

In addition to Secretary Dillon, other officials scheduled to speak at the conference include: Dean Rusk, Secretary of State; William McChesney Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System; James E. Webb, Administrator of the National Aeronautics and Space Administration; Roswell L. Gilpatric, Deputy Secretary of Defense; Henry H. Fowler, Under Secretary of the Treasury, and William H. Neal, National Director, Savings Bonds Division. President Kennedy has been invited to give the closing address.

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TREASURY DEPARTMENT

613

WASHINGTON, D.C.

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614

December 22, 1961

FOR RELEASE A. M. NEWSPAPERS, Saturday, December 23, 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 September 28, 1961, and the other series to be dated December 28, 1961, which were offered on December 15, were opened at the Federal Reserve Banks on December 22. 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 March 29, 1962		182-day Treasury bills maturing June 28, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.350	2.571%	98.572	2.825%
Low	99.338	2.619%	98.550	2.868%
Average	99.344	2.594% 1/	98.562	2.845% 1/

6 percent of the amount of 91-day bills bid for at the low price was accepted
39 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	$ 36,404,000	$ 30,216,000	$ 13,714,000	$ 13,714,000
New York	1,393,147,000	732,447,000	910,560,000	467,480,000
Philadelphia	27,211,000	11,918,000	6,970,000	1,965,000
Cleveland	46,965,000	46,465,000	21,191,000	16,191,000
Richmond	14,591,000	14,591,000	3,557,000	3,557,000
Atlanta	17,774,000	14,524,000	6,528,000	6,128,000
Chicago	199,765,000	133,825,000	102,763,000	48,363,000
St. Louis	26,466,000	20,492,000	6,828,000	6,267,000
Minneapolis	18,006,000	15,006,000	5,430,000	4,930,000
Kansas City	28,542,000	28,542,000	12,667,000	12,657,000
Dallas	62,940,000	18,240,000	54,069,000	4,069,000
San Francisco	38,754,000	33,814,000	16,012,000	14,792,000
TOTALS	$1,910,565,000	$1,100,080,000 a/	$1,160,289,000	$600,113,000 b/

a/ Includes $189,963,000 noncompetitive tenders accepted at the average price of 99.344
b/ Includes $46,762,000 noncompetitive tenders accepted at the average price of 98.562
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.65%, for the 91-day bills, and 2.93%, 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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[illegible]

TREASURY DEPARTMENT

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Richmond	14,591,000	14,591,000	:	3,557,000	3,557,000
Atlanta	17,774,000	14,524,000	:	6,528,000	6,128,000
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TREASURY DEPARTMENT
Washington

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FOR RELEASE ON DELIVERY

December 27, 1961

REMARKS OF THE HONORABLE ROBERT V. ROOSA,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE JOINT LUNCHEON OF THE AMERICAN ECONOMIC
ASSOCIATION AND THE AMERICAN FINANCE ASSOCIATION,
HOTEL COMMODORE, NEW YORK, NEW YORK, THURSDAY,
DECEMBER 28, 1961, 12:30 P.M., EST

RECONCILING INTERNAL AND EXTERNAL FINANCIAL POLICIES

When a former teacher who has long since strayed from the class room finds himself appearing before such a group of professional economists as these meetings bring together, there is only one thing he ought to do: ask questions. What I have to say today is, in fact, just one long series of questions. But since I have never been able to stay in good voice on a succession of rising inflections, I am going to say a number of things in a positive, perhaps provocative, manner, hopeful that you will understand that a spirit of flexible inquiry, and not a hardened Government policy, lies behind them.

My own particular concern is with the financial side of things -- fiscal policy, debt management, monetary policy, foreign exchange. Though my questions, in reviewing the possibilities for reconciling internal and external policies, may not stay wholly within the bounds of the financial area, I will hope to be excused from the obligation, which anyone approaching this subject should accept, of describing in some detail the over-riding importance of wage and price policy, the great significance of trade and commercial policy, and the real relevance, too, of public and private influences upon the competitive structure of business organization. The President restated the Government's position on these crucial aspects of our economic performance, both domestic and foreign, in addresses earlier this month. He is now preparing a series of Messages, reviewing the start that has been made, and the specific measures to be proposed or taken next year, not only to cope with the problems now upon us, but also to provide a sturdier base for our longer-run internal and external requirements. My attempt today will consequently, and I think you will agree, appropriately, center on some financial aspects of our central economic problem -- the aspects with which I have been more intimately involved.

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My starting point, in that spirit, is then to assert several propositions:

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The United States economy cannot, for as far ahead as anyone can usefully plan, be insulated from the consequences, the "discipline" if you will, of its balance of payments.

Moreover, the United States must continue, for as far ahead as anyone can see, to provide the principal reserve currency for the monetary system of the world -- a duty which involves special responsibilities as well as conveying special opportunities.

At the same time, the United States, as the prototype of democratic capitalism, intends to pursue policies, both Governmentally and throughout the private sector, which promote the functioning of a market economy, in which flexible prices (reflecting the forces of supply and demand) guide the composition of output, the allocation of capital, and the distribution of employment opportunities -- within a framework of reasonable price stability over-all.

And the United States is also determined to grow at a rate large enough to assure steadily rising per capita real income and maximum employment, while also supporting the military structure and the economic aid commitments appropriate to the leading member of the Western alliance.

My own thesis is that all of these commitments can be met; that they need not, as some would have it, be mutually contradictory; but that with determined effort they can become instead, in the current position of the United States, mutually reinforcing. To be sure, balance of payments disciplines can be interpreted to mean -- and in some circumstances may appropriately mean -- severe restraint upon, or outright constriction of, the pace of national economic activity. They often mean just that, for example, when demand inflation is running strong, when price increases must be halted if exports are to be sold, and when internal demand must be reduced if imports are to be brought in line with the real export potential. In those conditions, a temporary interruption of internal expansion may be unavoidable if external equilibrium is to be restored.

There are also times when a balance of payments discipline calls for scaling back, or limiting, the external commitments of Government. As the President and others have explained, that is being done to the limit permitted by national security; and a number of ways are being found to offset or avoid a balance of payments impact from military outlays and economic aid.

But what most needs stressing, it seems to me, is that the disciplines do not always call for the same prescription. Deficits are fever signals which may arise from temporary distress, or chronic disorder, or something in between. It is always necessary, at the least, to distinguish between shorter-run factors influencing the total balance of payments deficit, and the underlying factors influencing what some of us call the "basic deficit" -- a deficit in the trade, services, and long-term capital items. Much of the most purely financial part of the total deficit is in short-term capital movements, not included in the more fundamental factors of the "basic" balance of payments. I will have more to say on short-term capital movements shortly. I want to begin, though, by focusing on an entirely different meaning of the balance of payments disciplines, a meaning which seems to me to fit the present conditions of the United States, and leading into the heart of our basic deficit problem.

In short, and without the qualifying phrases that should be inserted if this were a scholarly formulation, the underlying balance of payments problem that has been confronting the United States is mainly, for lack of a better word, environmental. The implications for us of any balance of payments disciplines point mainly toward needed adaptation to a changed and changing environment. We have emerged during these past three or four years into a new world of comparative freedom for the movement of goods, in which most of the leading industrial countries have built up reasonably adequate monetary reserves, and have made their own currencies freely convertible into dollars on current account, at fixed rates of exchange. But the momentum generated, both here and abroad, during the long drive back toward sustainable equilibrium for the others, has helped to bring about a new kind of imbalance.

The United States has found itself marginally dependent upon a steady absorption of dollars by a world whose marginal needs have shifted to other things. Many of the other industrial countries, having long restrained consumption for the sake of rebuilding and improving their productive capacity, are continuing to invest at rates which are closing, and in some cases reversing, the gap of comparative advantage that the United States formerly enjoyed in most manufactured products. The United States meanwhile has allowed its own rate of domestic investment in productive capacity to decline, despite its still considerable volume of savings. These are the environmental changes which have been brought into clearer focus by the magnitude and behavior of our balance of payments deficits since 1958.

Where, against this background, do the disciplines point now? So far as the domestic policies of the other industrial countries are concerned, a pull is already apparent toward greater consumption. On their side, the demand needed to help restore international equilibrium by drawing in more of our exports is already strong and likely to grow. It will be promoted further if the Common Market prospers through lessening its own protectionism (not only with respect to imports but also as to the export of capital).

It will be further advanced if the expansion plans of the underdeveloped parts of the world are supported by all of the developed world. On our side the question is large. Can we, in world markets that should become increasingly free, compete effectively in quality, price, and merchandising skill? So far as the monetary arrangements which link together the domestic monetary systems of the individual countries are concerned, the question is whether the nations friendly to us can, as a group, and barring military and political considerations, join in multilateralizing some of the responsibilities that have up to now been carried by the two reserve currencies alone — the dollar and the pound sterling. It should be important to all countries to continue developing the innovations of the past two years in international financial relations, in order to adapt modern monetary arrangements so that they can suitably nourish trade, minimize disruptive speculation, assist the orderly flow of productive capital, and still provide for effective control over monetary developments within each country in keeping with the economic objectives of each.

II

The most striking aspect, to me, of the needs for restructuring the American economy that are revealed by our continuing balance of payments deficit is that they are, in present circumstances, so nearly identical with the needs that we would be trying to meet if we had a completely closed economy. In terms of the fundamentals, as I see them in the current context, there is no irreconcilable conflict between the restoration of a sustainable equilibrium in our basic balance of payments and the promotion of greater and more lasting growth in the domestic economy. The one sure way to reestablish strength in the balance of payments is to increase this country's ability to compete, and this can best be done by spurring additional investment in efficient productive capacity. That is the same objective which can best assure an upward shift in our growth trend.

The primary need, for both external balance and internal growth, is an upward shift in the rate of investment — the investment that can raise productivity, lower costs, develop new products, and more generally give a new thrust to the competitive potential of American business. That is the way to make possible an increase in the share of American goods in foreign markets, particularly those of the other industrialized (and now mainly "surplus") countries. It is also the most nearly certain way to increase the rate of growth at home, and thereby support in real terms our aims for expanding employment and raising incomes.

The intensified private investment will also, in time, have the same (or a greater) multiplied effect upon total spending in the economy, and thus upon further inducements toward additional investment, as might have been claimed for Government deficits. The difference is that the initial expenditure will have been upon productive capacity more directly related to the joint needs of improving this country's competitive position abroad while promoting a higher growth rate at home.

There are, of course, many conditions required to bring about the sort of change in the parameters of the investment function to which I am referring here. No doubt new structural problems would be created if the change came about abruptly. But however the change is brought about, there are certain to be significant roles for fiscal policy, for monetary policy, for debt management, and for the inter-relations among all three. Some of these have begun to emerge during the past year and have been translated into policy.

Perhaps the first and clearest implication relates to the use which can be made of the great latent influence inherent in the sheer size and diversity of the present Federal tax structure. If, within the complex of tax burdens, a way can be found to encourage new productive investment as such -- and the proposed investment tax credit would indeed be one such way -- that should offer great promise as an effective primer, to help generate the greater push out into new investment frontiers. Depreciation reform of other kinds, such as the updating of equipment schedules, is, of course, another important part of any Governmental share in this effort.

In addition to its potential as a priming influence, fiscal policy can also help, as I have just mentioned, in making available the funds needed to finance the needed investment. For the significance of deficits, or balance, or surpluses in the Federal Government's accounts is that the available supply of savings and credit will either be partly absorbed by Government, left entirely for the use of an expanding private sector, or augmented by the funds released through a repayment of Government debt. Just which of these phases of fiscal policy is appropriate at a given time depends on the stage of the business cycle. But when recovery is broadly accomplished and the economy is expanding at a reasonable rate, it would seem necessary that the Federal budget should be at least in balance if the aim of public policy is to give primary emphasis to promoting creative, constructive new investment. Any losses of revenue from the investment credit, for example, would have to be made up from other sources. Otherwise, a continuing Federal deficit would drain away from the capital markets a part of the supply of available savings that could, and should in present circumstances, be flowing into expanding investment in the private sector. That is what the President was underlining when he said, in speaking before the National Association of Manufacturers here in New York earlier this month:

"I recognize that your efforts will be governed in part by the kind of atmosphere the Government can help to create. That is why we intend to submit our balanced budget. The Government must not be demanding more from the savings of the country, nor draining more from the available supplies of credit, when the national interest demands a priority for productive, creative investment -- not only to spur our growth at home but to make sure that we can sell, and sell effectively, in markets abroad."

The maintenance of that kind of fiscal control carries with it implications for monetary policy as well, if it is to fill a coordinate role. And one of the profound lessons of the 1959-60 recovery experience, underlined by the accompanying outward drains of gold and dollars, is that monetary and fiscal policy must jointly share responsibility toward the capital markets, if an over-all influence appropriate to the needs of internal stability is to be achieved. During that episode -- although concern over a steel strike, wage-cost increases, creeping inflation, and other factors were also of great importance -- the fiscal position was one of very large deficit. It was almost twice as large as that of the current fiscal year and it carried over for some time into the recovery period. The heavy Federal borrowings were competing in the capital markets with expanding private borrowing that had reached record proportions. When the Federal deficit position was corrected, the change came quite abruptly, swinging over to a moderate surplus within a few months. Meanwhile, the efforts of monetary policy, aiming to offset the inflationary consequences of the earlier deficit, actually carried over from that phase into the later phase of fiscal restraint. Interest rates rose sharply; complications developed for debt management; and a chain reaction of troublesome consequences spread through the savings and investment process.

Attempting to learn from that experience, we have tried during the past year -- admittedly through a rather loose fit of successive approximations -- to find a new balance between monetary and fiscal policy. By adapting fiscal policy somewhat more closely to the timing and intensity of the recession, it has been possible to reduce the burden that public policy on other occasions has placed on monetary action. Accordingly, this has been the first recovery since flexible monetary policy was restored in which bank credit has continued readily available well into the expansion period. In consequence, longer-term interest rates this time have shown little tendency to rise, and the conventional expectation that credit must tighten whenever business recovery gains momentum has been confounded. And it may not be a mere coincidence that the volume of new market flotations, municipal and corporate, has been strikingly greater than through the comparable months of the three preceding recoveries.

This experience suggests that a change in the balance of emphasis between fiscal and monetary policy may work to lessen the amplitude of cyclical swings in interest rates, downward and upward, that have been associated with the contracyclical policies of Government in the past. With inflationary expectations less prevalent and the financial markets better attuned to relatively small changes in rates, it is possible that the desired range of financial responses can be evoked, to help moderate the cycle, without the unsettling effects on institutional savings arrangements that the sharp uprush of interest rates in 1959-60 had begun to produce.

But what about the shorter-run balance of payments effects? Granting that the mix of fiscal and monetary policy can be improved, in order to further the expansion of domestic investment, to help in moderating some of the factors that aggravate cyclical fluctuations, and to limit the disruptive aspects of unduly abrupt or large interest rate changes — and that all of this will be helpful eventually in restoring and maintaining balance of payments equilibrium — what happens to capital movements in the meantime? May not outward flows be intensified, thereby adding to the balance of payments deficit, with the result that apparent deterioration will precipitate further outflows?

That is, to be sure, an area of considerable risk, or potential danger. Yet there is much here that can be done, too. We reject out of hand any resort to exchange controls. To take a step of that kind would be to confess, and assure, the failure of our aims for growth, trade, and a stable currency system based on the certainty of dollar convertibility at the present fixed price.

So far as movements of long-term capital are concerned, there are important differences, as all of you are well aware, between portfolio and direct investment. The <u>net</u> outflow of portfolio investment has never been decisively large, in relation to our balance, partly because American purchases of foreign securities have not greatly exceeded foreign purchases of securities here. The possibility of substantial <u>net</u> movements by American investors into foreign fixed-interest obligations or equities will continue important, however, as long as surplus countries maintain controls on the outward flow of funds from their own capital markets. When the surplus countries in Europe become more flexibly adapted to their role as creditors, the flow of portfolio funds toward an expanding, vigorous American economy should over-ride any minor or temporary differentials in long term rates of interest, and largely counterbalance the outflow of American funds for investments of a similar nature. Meanwhile, should a substantial net outflow develop from the United States, there are offsets available. Other Governments can be encouraged to pre-pay long-term debts owed to us. Where appropriate, we can place some of our own Government debt with them. Significant moves of both kinds have occurred during the past year.

As for direct investment, provision of a tax credit for investment in the United States would help to offset any inducement to invest abroad the funds obtained by borrowing relatively cheaply in the United States. There is much to be said, too, for removing any special tax advantages which induce investment abroad rather than at home and which defer the repatriation of income earned by subsidiaries located in the developed countries. In addition, the so-called "tax haven" abuses also permit other artificial, truly noncompetitive inducements to direct investment abroad. To eliminate these abuses and the special tax advantages, so far as practicable, would still leave in effect the present tax stimulus to direct investment in the underdeveloped countries. That, one would think, should be encouraged, for its effect can be, and should be, to introduce these countries (more effectively than Governmental economic aid is able to do) to the performance of productive capitalism.

While changes along these lines may be slow in coming, or in exerting their effects, there is relatively little likelihood of any short-run acceleration of direct investment on a scale large enough to have a material additional influence on our balance of payments deficit. Of course, if wages here were to advance sharply, and outrun productivity gains, or if the efforts to accomplish depreciation reform should be frustrated, or if the projected trade program should fail and a real wall of duties were to rise up around Europe; or if the combination of measures geared to eliminating our present deficit over the next two years should not be pursued with effective determination --- the climate could change completely. I do not want to imply any basis for complacency on other fronts. But the part of the problem I am particularly addressing today is the critical area of short-term capital movements.

There are broadly three categories of influences that could give rise to outflows of short-term capital of serious magnitude: (1) a foreign loss of confidence in our capacity to fulfill our economic objectives and to maintain the free convertibility of the dollar into gold at our fixed price; (2) marked interest rate differentials, giving rise to increased foreign commercial borrowing here, and to interest "arbitrage" and "hot money" flows; and (3) unsettling international events, causing a flight from the dollar, or from several major currencies simultaneously.

As for the first, that is in our hands. The trend of foreign confidence has been upward since early in the year. If we perform on the commitments which have given us this initial "vote of confidence," there should be no problem on this score. As for the second, a rise in commercial borrowing has indeed been a factor of considerable importance through most of the past year, and exporter credits (at least to American firms) are likely to go on rising. But these are the kinds of swings in external financial requirements for which the use of our monetary reserves is intended; once they level off, or decline, the outflow will return with the repayments. These, then, once recognized, need give no cause for deep concern. As for the flow of funds into short-term instruments in other markets, several possibilities for reconciling our internal operations with our external requirements have emerged during the past year. It is to these, and to the third -- the effects of international political incidents, or waves of doubt concerning the values of other currencies -- that I want to devote the remainder of my time here today.

III

What about the balance of payments deficit we have now -- a deficit that has, while much reduced from the three preceding years, been steadily rising again (after deducting the helpful but nonsustaining effect of debt prepayments) with each successive quarterly report through 1961? Does this not merely exemplify the fact that, however successful our long-run approach, we will always be living in a succession of short-runs, in which there will be a conflict between what is right at home and what is needed for our external position? That our exposed position as banker for the world leaves us continually vulnerable?

To the extent that we succeed in reaching and maintaining the "basic" balance to which I referred earlier, there is no question that we will be able to deal from strength in meeting these strains. I cannot emphasize too strongly, though, that there is much yet to be done -- and much that, I trust, will be done -- to reach that result. We need more competitive exports, more use of the new export financing facilities, greater access to foreign markets, closer relating of economic aid to our own production, greater offsetting purchases here by the countries in which our military disbursements are large, and a vast variety of other measures already under way, inside and outside Government, in order to cope with these current pressures. In current terms, though with clear signs of improvement showing through, the figures for the total balance of payments deficit should be expected to become somewhat larger before the underlying surge of improvement makes them solidly better.

But others have outlined, and will again, that range of needs and prospects more fully than I can attempt here. I want to turn now to several financial measures (some domestic, others international) which, while relevant to the present problems, are even more important for their possible role in averting or offsetting monetary strains through the succession of short-runs that will, of course, be our lot in the years ahead.

One of the most conspicuous of the Governmental efforts to reconcile the shorter-run needs of external improvement with the basic need to promote domestic recovery and expansion, during the year just completed, lay in the area of monetary and fiscal policy which we were discussing a moment ago. Perhaps more precisely, this effort lay in the zone of inter-relations between monetary policy and debt management. It was rather widely characterized as "Operation Nudge" or an attempt to "raise short rates and lower long rates." That was at best a cryptic, shorthand label for a very complex process. There was never any thought that interest rates, either short or long, could or should be predetermined, or established in any other way than through the action of market forces. But there was a forthright recognition that what the fiscal and monetary authorities do, and expectations in the market concerning their needs and intentions, must necessarily be significant elements inside the market process. Consequently, to the extent feasible, indications were given as to the direction in which the influence of official actions would be working -- though where they might come out, after interaction with all other factors of supply and demand, would still be a market-determined result.

Once the approximate shape of the Treasury's borrowing requirements became clear, every opportunity was taken for ensuring the consistency of the independent actions of monetary policy and of debt management. A balance of payments criterion was kept continually in view. For the "short rate - long rate" slogan, if it served any purpose at all, did indeed seem to help popularize recognition of the need (toward which Federal Reserve policy had already been directed through much of 1960) to avert the previous pattern of recession-induced plummeting of short-term market rates -- while also keeping credit at least as amply available for domestic needs as in times past. The aim was to use Governmental influence, where practicable, to keep money market rates within an indifference range, in relation to the rates obtainable abroad, after taking account of the costs of forward cover.

An important role was also played in this effort by the readiness of foreign monetary authorities to take into account, in determining their own policies, the desirability of closing any gap between their interest rates and ours. At times it proved feasible, as well as desirable in their own domestic circumstances, for them to exert downward pressure on their own short-term rates. There was general recognition, too, that sensitive "hot money" is not a comfortable holding in the monetary reserves of any country. Partly for that reason, it also proved practicable at times for the United States and foreign authorities to carry out coordinated operations in the spot or forward exchange markets for the purpose of restraining speculative flows. Such operations, although often only of a pilot character, were gratifyingly effective. The opportunities for working out these cooperative arrangements arose through the regular consultative facilities provided by the monthly meetings of the Bank for International Settlements and the frequent meetings held within the newly-established Organization for Economic Cooperation and Development.

The end result of these various efforts, so far as our own domestic money market was concerned, was the unprecedented continuation of a ready availability of money throughout the recession and recovery period, with ample additions flowing into bank reserves, while the 91-day Treasury bill rate (to take an example) edged gradually upward on a zig-zag path between 2-1/4 and 2-3/4 per cent. The declines of short-money rates to and below 1 per cent -- which had occurred in the previous recessions, and had contributed in 1958 to the early stimulation of speculative attention to the possibilities of interest arbitrage -- were this time completely avoided.

Debt operations were of some aid, as well, in this attempt to deter outflows while stimulating new flows within the economy. Over the course of 1961, the Treasury's debt operations resulted in a net increase of about $4 billion in outstanding Treasury bills and about $10 billion in total debt maturing under one year -- rises which ranged during the year between 10 and 15 per cent of the outstanding amounts in these shorter-term areas. At the same time, other outstanding debt was so redistributed that the average maturity of the total marketable debt was almost identical at the end of 1961 with that at the beginning of the year. The other side, from the debt management point of view, was the desirability of accomplishing the appropriate debt lengthening -- both to offset the increase in under-one-year issues and to overcome the inexorable influence of the calendar in shortening the life of the over-one-year debt by one full year every year -- without complicating the effort to help assure an ample availability of funds for all forms and all maturities of private investment requirements. The answer, at least for the conditions then prevailing, was found largely through reliance upon the technique of advance refunding which had been successfully introduced in 1960, both in the middle market (in the so-called "junior" form) and in the longer market (the "senior" advance refunding).

There will be continuing need for experimental development of the mixture between fiscal, monetary, and debt management policies and methods, to find ways in the future to limit any interest rate stimulus to outward capital flows. The recent Federal Reserve action permitting commercial banks to pay higher interest rates to their depositors is another step of the same exploratory nature. It should also be of help in holding or attracting foreign time deposits.

Even though I feel confident that effective solutions, appropriate to the changes in market conditions and in economic activity, will be found in the months and years ahead, I do want to stress, most resoundingly, that neither steps such as these, nor other forms of international cooperation to which I shall refer shortly, can ever offset the force of a serious run on the dollar created by a loss of foreign confidence in our economic strength or our banking capabilities. Nor can such measures shore up indefinitely the consequences of a continuing deficit in the "basic " elements of our balance of payments.

So long as our performance at home is impressive, however, in the way that we ourselves would want it to be, then an outer defense of various financial arrangements should be capable of providing, from short run to short run, the necessary protective framework within which we can continue to perform the role of the principal reserve currency -- so important to the world at large, and so crucial to the fulfillment of our own objectives of libertarian economic expansion.

One essential part of these outer perimeter defenses consists of understandings among the central banks, primarily at the start among the leading industrial countries, but also gradually no doubt among various congeries of some of them and some of the less developed countries. The essence of any such arrangements is flexibility, informality, a spirit of mutual cooperation, and the establishment of trust in financial leadership. There are no formulas. Progress comes with patience, time, familiarity, and experience. The past two years, and particularly the last, have produced more tangible gains of this kind than had been possible at any time since the general convertibility of currencies disappeared in the 1930's.

Perhaps the most notable case was the initial cushioning provided early in the year by a number of the central banks whose Governors meet each month at the Bank for International Settlements in Basle. When funds began to move out of the United Kingdom after the currency appreciations of Germany and the Netherlands in March, the various central banks receiving the outflow arranged, quite informally, to lend back to the British the bulk of the funds which they were losing, thereby avoiding the possible threat of a currency crisis.

What happened thereafter illustrated the need for another part of the network of defenses. For the central banks could not finance these cushioning operations indefinitely out of their own resources. More lasting multilateral arrangements were needed, standing behind the central banks, and capable among other things of taking over most of these credits after the initial episode had subsided. Such a shifting of credits would make it possible to provide for the further orderly resolution of any remaining, and possibly deeper, strains. In the case in question, the United Kingdom in August arranged with the International Monetary Fund for a $2 billion credit (of which $1½ billion was drawn immediately, in nine currencies, with the United

States share just under one-third). The United Kingdom Government was thus able to strengthen its own reserves and the Bank of England enabled to pay off the cushioning credits. When a new potential currency crisis was in the making, on the outbreak of the Berlin disturbances later in August, further repercussions on the pound sterling were scarcely noticeable. Actually, British reserves began to mount rapidly and by the year-end more than one-quarter of the drawing had already been repaid to the International Monetary Fund.

Meanwhile, the various currency shifts over the past year -- many of them taking the form of dollars, the preferred reserve currency -- had begun to build up in the banks of some countries larger holdings of dollars than they could ordinarily carry. In these circumstances, various means were found to help regularize the holdings through actions taken in the foreign exchange markets. One type of operation consisted of increasing the facilities for forward cover. In some cases, the other Government or central bank undertook a major part of the transactions for its own account; in others, the foreign central banks acted as agents for the United States Treasury. (All operations were carried out, of course, in behalf of the Treasury by its fiscal agent, the Federal Reserve Bank of New York.) Needed supplies of foreign currencies were obtained as a by-product of intergovernmental debt prepayments, through outright purchases in some special circumstances, and through sale to certain foreign central banks or governments of United States Government debt denominated in foreign currencies. Moreover, arrangements were made to place the entire proceeds of the United Kingdom drawing of dollars from the International Monetary Fund, as well as some other accruals, in special nonmarketable dollar obligations. Through these, and other transactions in the spot and forward currency markets, a number of ways were developed for enlarging the network of financial defenses capable of providing short run assistance not only to the dollar, but to the functioning of the world's monetary system.

Few of these innovations could have been carried through, however, were it not for the almost continuous consultation on problems of mutual concern that the jet age has made possible. Through frequent visits to New York and Washington by the leading financial officials of most other countries, large and small; through the continuing exchanges of views and information made possible through the work of the International Monetary Fund and other international financial organizations; through the monthly journeys now regularly made by our central bankers to the meetings of the Bank for International Settlements; and through the equally frequent travel by Government delegations to those meetings within the new Organization for Economic Cooperation and

Development that are devoted mainly to potential problems and disturbances in the balance of payments of the leading industrial countries among its membership -- a new kind of international financial cooperation has emerged. This, to me, is much more promising for the future than any of the grandiose proposals for a new super-sovereignty in international monetary management -- proposals that have attracted so much attention in the public prints, paradoxically, at the same time that these solid, if unspectacular, developments in real cooperation among sovereign governments were quietly taking place.

The experience of the past year, both in observing the behavior of the financial markets and in the negotiation of many new kinds of arrangements with the financial officials of many countries, has convinced me that the road of steady progress is that toward a growing multilateralization of the responsibility for the conduct of the world's monetary system. However important the dollar may be, the time is passing when other leading countries can, consciously or unconsciously, treat their dependence upon it as all privilege and no responsibility. The recognition of that underlying pattern of development probably accounts, more than anything else, for the ready interest shown by these same leading industrial countries over this past year in working out the arrangements for a massive increase in the resources available to the IMF, on a standby basis. Preliminary announcement of these arrangements was made after a meeting of finance ministers and other leading financial officials in Paris two weeks ago. Additional details will be made public shortly.

It was the apparent conclusion of the ministers that the presently visible need is not for more international liquidity, but for smoother arrangements to assure the ready shiftability of existing liquidity among the monetary reserves of the various countries of the free world. This, they recognize and accept, involves a greater use of other currencies, alongside the dollar, in coping with any potential strains affecting the performance of the monetary system as a whole.

* * * * * *

In working toward the fundamental correction of the United States' own balance of payments, and in building a stronger financial buttress for the world monetary system which centers on the dollar, this has been an eventful year. Great issues have been advanced. To pare down the basic deficit in our balance of payments, a host of measures, some lasting, some temporary, have been introduced. Substantial improvement, year to year, has already been accomplished, while the economy was enjoying a rapid and broadly-based recovery with general price stability.

To proceed further, at a vigorous rate of economic expansion, while cutting away entirely the basic deficit in the balance of payments, depends, among other things, on a change in the pattern of investment behavior. In this, Government's role is to provide the stimulus, through depreciation reform, and to do all it can to create an environment within which the needed financing requirements will be met. That is why, in today's conditions, a balanced Federal budget is necessary. From there on, in keeping with the nature of our kind of economic system, the rest is up to labor, to management, and the spirit of creative enterprise.

In serving as the world's banker, the most important progress, too, will flow from the achievement of equilibrium in the basic balance of payments accounts. Much has been done, even more can be done, toward broadening and strengthening the entire monetary system which centers on the dollar.

My own judgment is that avenues have now been opened for a productive marriage between our internal and external financial policies. There is not, or need not be, an irreconcilable conflict between them.

December 27, 1961

FOR IMMEDIATE RELEASE

PAUL A. VOLCKER NAMED HEAD OF FINANCIAL ANALYSIS OFFICE

Acting Secretary of the Treasury, Henry H. Fowler, today announced the appointment of Paul A. Volcker as Director of the Office of Financial Analysis. Mr. Volcker will assume his duties January 8, 1962.

Mr. Volcker is now associated with the Chase Manhattan Bank of New York, where he directs research on domestic financial markets, and banking, and financial institutions. The new office he will head will give the Treasury valuable additional analytical capabilities to bring to bear on both national and international financial problems.

Prior to his work with Chase Manhattan, where he has been employed since October 1957, Mr. Volcker held a number of positions with the Federal Reserve Bank of New York, joining its Domestic Research Division on a permanent basis in 1952. In 1955 he became a special assistant in the Securities Department, and from 1955 to 1957 his principal responsibilities included analyses of the Government securities market, execution of Open Market Committee transactions, and the preparation of various reports to the Committee and of memoranda on Treasury financing.

Mr. Volcker was born in 1927 in Cape May, New Jersey. He was graduated from Princeton in 1949, studied at Harvard University, obtaining his masters degree in Political Economy and Government in June, 1951. While at graduate school, in addition to working with the Federal Reserve Bank of New York, he was employed by the Treasury Department as a Junior Management Assistant. He obtained leave of absence to study at the London School of Economics. During his service with the Federal Reserve Bank in New York, Mr. Volcker taught Money and Banking at the New York Institute of Finances and classes at the new school for Social Research.

He participated in staff work on the Commission on Money and Credit while that group was in operation, being primarily concerned with questions of Federal Reserve policy, debt management, and the organization of financial institutions.

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 28, 1961

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D-345

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 28, 1961

FOR IMMEDIATE RELEASE

UNITED STATES AND ARGENTINA SIGN ONE-YEAR EXTENSION OF $50,000,000 EXCHANGE AGREEMENT

Henry H. Fowler, Acting Secretary of the Treasury, and Emilio Donato del Carril, Ambassador of Argentina, today signed a one-year extension of the $50,000,000 Exchange Agreement between the United States Treasury and the Government and Central Bank of Argentina, which had been in force during 1961.

The agreement is designed to assist Argentina in its continuing efforts to promote economic stability and freedom in its trade and exchange system. Exchange operations on the part of the Argentine authorities will be for the purpose of maintaining an orderly foreign exchange system.

Under the Treasury Exchange Agreement, Argentina may request the United States Exchange Stabilization Fund to purchase Argentine pesos. Any pesos acquired by the United States Treasury would subsequently be repurchased by Argentina with dollars.

With the purpose of assisting the Argentine Government in continuing its stabilization efforts, by providing currencies that may be used for the maintenance of an orderly exchange market, the International Monetary Fund on December 8, 1961, announced a standby arrangement with Argentina in the amount of $100 million.

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D-346

TREASURY DEPARTMENT

WASHINGTON, D.C.

December 28, 1961

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December 29, 1961

FOR RELEASE A.M. NEWSPAPERS,
Saturday, December 30, 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 October 5, 1961, and the other series to be dated January 4, 1962, which were offered on December 21, were opened at the Federal Reserve Banks on December 29. 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 April 5, 1962		182-day Treasury bills maturing July 5, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.325 a/	2.670%	98.528 b/	2.912%
Low	99.312	2.722%	98.499	2.969%
Average	99.317	2.703% 1/	98.513	2.941% 1/

a/ Excepting 3 tenders totaling $600,000; b/ Excepting 1 tender of $550,000
79 percent of the amount of 91-day bills bid for at the low price was accepted
8 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 23,841,000	$ 11,841,000	$ 6,780,000	$ 6,780,000
New York	1,296,790,000	562,620,000	874,673,000	487,673,000
Philadelphia	22,110,000	7,110,000	12,155,000	7,155,000
Cleveland	59,256,000	49,256,000	16,941,000	6,941,000
Richmond	11,054,000	11,054,000	2,111,000	2,111,000
Atlanta	20,237,000	18,537,000	3,153,000	2,969,000
Chicago	402,180,000	326,970,000	92,456,000	47,456,000
St. Louis	28,256,000	21,256,000	7,208,000	6,208,000
Minneapolis	19,872,000	14,872,000	4,082,000	3,622,000
Kansas City	32,071,000	24,861,000	4,443,000	4,443,000
Dallas	10,678,000	10,678,000	2,843,000	2,843,000
San Francisco	62,059,000	41,534,000	23,113,000	22,113,000
TOTALS	$1,988,404,000	$1,100,589,000 c/	$1,049,958,000	$600,314,000 d/

c/ Includes $170,561,000 noncompetitive tenders accepted at the average price of 99.317
d/ Includes $36,831,000 noncompetitive tenders accepted at the average price of 98.513
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.76%, for the 91-day bills, and 3.03%, 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.

FOR RELEASE A.M. NEWSPAPERS,
Saturday, December 30, 1961.

December 29, 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 October 5, 1961, and the other series to be dated January 4, 1962, which were offered on December 21, were opened at the Federal Reserve Banks on December 29. 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 April 5, 1962		182-day Treasury bills maturing July 5, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.325 a/	2.670%	98.528 b/	2.912%
Low	99.312	2.722%	98.499	2.969%
Average	99.317	2.703% 1/	98.513	2.941% 1/

a/ Excepting 3 tenders totaling $600,000; b/ Excepting 1 tender of $550,000
79 percent of the amount of 91-day bills bid for at the low price was accepted
8 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 23,841,000	$ 11,841,000	$ 6,780,000	$ 6,780,000
New York	1,296,790,000	562,620,000	874,673,000	487,673,000
Philadelphia	22,110,000	7,110,000	12,155,000	7,155,000
Cleveland	59,256,000	49,256,000	16,941,000	6,941,000
Richmond	11,054,000	11,054,000	2,111,000	2,111,000
Atlanta	20,237,000	18,537,000	3,153,000	2,969,000
Chicago	402,180,000	326,970,000	92,456,000	47,456,000
St. Louis	28,256,000	21,256,000	7,208,000	6,208,000
Minneapolis	19,872,000	14,872,000	4,082,000	3,622,000
Kansas City	32,071,000	24,861,000	4,443,000	4,443,000
Dallas	10,678,000	10,678,000	2,843,000	2,843,000
San Francisco	62,059,000	41,534,000	23,113,000	22,113,000
TOTALS	$1,988,404,000	$1,100,589,000 c/	$1,049,958,000	$600,314,000 d/

c/ Includes $170,561,000 noncompetitive tenders accepted at the average price of 99.317
d/ Includes $36,831,000 noncompetitive tenders accepted at the average price of 98.513
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.76%, for the 91-day bills, and 3.03%, 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.

December 29, 1961

FOR IMMEDIATE RELEASE

COMPTROLLER OF THE CURRENCY INVESTIGATING CHARGES OF ALLEGED PRICE FIXING OF SERVICE CHARGES BY TWO NATIONAL BANKS

Comptroller of the Currency James J. Saxon announced today that he was investigating charges of alleged price fixing of service charges on the part of two national banks in Clinton, New Jersey, The Clinton National Bank, and The First National Bank of Clinton. Mr. Saxon stated that this is a serious charge which warrants careful investigation by his office.

As the supervisory authority over national banks, the Comptroller of the Currency has responsibility for all of the banking activities of those institutions. Mr. Saxon stated that he intended to carry out his responsibilities, that his examiners are being instructed to review the methods by which service and other charges are fixed by national banks, and that any price fixing by national banks of any charges will be appropriately dealt with by his office.

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TREASURY DEPARTMENT

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