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U.S. Treasury Dept.

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United States Savings Bonds Issued and Redeemed Through February 28, 1962

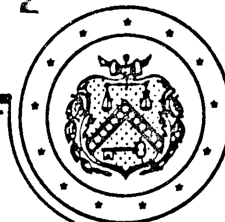
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
MATURED				
Series A-1935 - D-1941	$ 5,003	$ 4,987	$ 17	.34 %
Series F & G-1941 - 1949	26,082	25,840	242	.93
UNMATURED				
Series E: 3/				
1941	1,810	1,493	317	17.51
1942	7,994	6,581	1,413	17.68
1943	12,866	10,669	2,197	17.08
1944	14,989	12,321	2,668	17.80
1945	11,726	9,420	2,306	19.67
1946	5,258	3,986	1,272	24.19
1947	4,943	3,553	1,390	28.12
1948	5,090	3,538	1,552	30.49
1949	4,998	3,375	1,623	32.47
1950	4,350	2,832	1,517	34.87
1951	3,766	2,402	1,364	36.22
1952	3,920	2,363	1,557	39.72
1953	4,435	2,594	1,841	41.51
1954	4,488	2,558	1,930	43.00
1955	4,655	2,603	2,052	44.08
1956	4,474	2,492	1,982	44.30
1957	4,191	2,213	1,978	47.20
1958	4,041	1,963	2,078	51.42
1959	3,771	1,727	2,044	54.20
1960	3,741	1,481	2,259	60.38
1961	3,646	861	2,785	76.39
1962	54	-	54	100.00
Unclassified	373	365	8	-
Total Series E	119,579	81,392	38,187	31.93
Series H-1952 - 1962 3/	8,070	1,558	6,512	80.69
Total Series E and H	127,649	82,950	44,699	35.02
Series F and G:				
1950	2,427	1,859	4/ 568	23.40
1951	792	409	382	48.23
1952	211	101	111	52.61
Unclassified	-	50	-50	-
Total Series F and G	3,429	2,419	1,010	29.45
Series J and K-1952 - 1957	3,676	1,836	1,840	50.05
Total Series F, G, J and K	7,105	4,255	2,850	40.11
All Series — Total matured	31,085	30,827	259	.83
All Series — Total unmatured	134,754	87,205	47,549	35.29
All Series — Grand Total	165,839	118,032	47,808	28.83

1/ Includes accrued discount.
2/ Current redemption value.
3/ At option of owner bonds may be held and will earn interest for additional periods after original maturity dates.
4/ Includes matured bonds which have not been presented for redemption.

OFFICE OF FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE March 2, 1962

TREASURY'S LATEST REFUNDING A SUCCESS

The Treasury Department today announced that, based upon reports received at the close of business Thursday, March 1, holders of about $4 billion of the outstanding publicly held bonds included in the Department's latest advance refunding operation have exchanged their holdings for 3-1/2% and 4% bonds. Subscription books for the offering were open from February 19 to 21, but subscriptions from individuals and trustees were also accepted through February 28. All subscriptions have not yet been reported to the Treasury because of the large number of securities involved in the refunding.

Preliminary reports from the Federal Reserve Banks show that total subscriptions (including $1,001 million from Government Investment Accounts) amounted to $ 5,074 million. These subscriptions will be allotted in full. Delivery of the new 4% bonds will be made on March 9, 1962, and delivery of the new 3-1/2% bonds will be made on March 16, 1962.

Subscriptions are as follows (in millions of dollars):

New Issue	From Public Holders	From Government Investment Accounts	Total
4% bonds of 1971 --------	$2,417	$385	$2,802
4% bonds of 1980 -------- (additional issue)	381	177	558
3-1/2% bonds of 1990 ---- (additional issue)	635	218	853
3-1/2% bonds of 1998 ---- (additional issue)	640	221	861
Total ----	4,073	1,001	5,074

Details showing the amounts of the outstanding bonds, by issues, which have been exchanged, and subscriptions by Federal Reserve Bank districts will be announced when final reports are received.

D-410

March 5, 1962

FOR RELEASE A. M. NEWSPAPERS, Tuesday, March 6, 1962.

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 December 7, 1961, and the other series to be dated March 8, 1962, which were offered on February 28, were opened at the Federal Reserve Banks on March 5. Tenders were invited for $1,200,000,000, 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 June 7, 1962		:	182-day Treasury bills maturing September 6, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.319 a/	2.694%	:	98.551 b/	2.866%
Low	99.305	2.749%	:	98.534	2.900%
Average	99.312	2.721% 1/	:	98.543	2.883% 1/

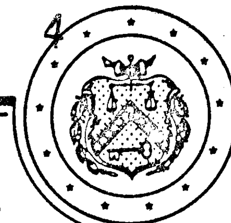
a/ Excepting two tenders totaling $500,000; b/ Excepting three tenders totaling $500,
72 percent of the amount of 91-day bills bid for at the low price was accepted
76 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICT:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 27,378,000	$ 14,578,000	:	$ 13,418,000	$ 9,038,000
New York	1,398,084,000	790,484,000	:	873,071,000	461,171,000
Philadelphia	30,567,000	15,567,000	:	8,841,000	3,841,000
Cleveland	39,863,000	33,463,000	:	13,530,000	8,530,000
Richmond	11,593,000	11,593,000	:	2,570,000	2,370,000
Atlanta	20,327,000	19,507,000	:	4,061,000	4,061,000
Chicago	227,192,000	169,352,000	:	117,013,000	54,053,000
St. Louis	23,815,000	20,535,000	:	7,432,000	5,192,000
Minneapolis	17,006,000	16,726,000	:	5,055,000	2,555,000
Kansas City	40,351,000	30,351,000	:	12,408,000	7,384,000
Dallas	18,426,000	18,146,000	:	8,315,000	4,075,000
San Francisco	59,907,000	59,907,000	:	39,391,000	37,911,000
TOTALS	$1,914,509,000	$1,200,209,000 c/		$1,105,105,000	$600,181,000 d/

c/ Includes $196,968,000 noncompetitive tenders accepted at the average price of 99.312
d/ Includes $47,687,000 noncompetitive tenders accepted at the average price of 98.543
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.78%, for the 91-day bills, and 2.97%, 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



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D-411

UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1961 - December 31, 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	Fourth Quarter 1961	Calendar Year 1961
Argentina	-90.0	---	---	---	-90.0
Belgium	---	---	-63.0	-81.4	-144.4
BIS	-23.0	---	---	---	-23.0
Cambodia	---	---	---	- 3.1	- 3.1
Chile	- 6.6	---	---	---	- 6.6
Congo Republic	---	---	---	+24.2	+24.2
Costa Rica	---	---	- 2.3	---	- 2.3
Cyprus	---	---	---	- 2.0	- 2.0
Denmark	-35.0	---	---	---	-35.0
Dominican Rep.	---	---	---	- 3.0	- 3.0
Egypt	---	---	---	- 7.8	- 7.8
El Salvador	---	+ 6.4	- 5.0	- .7	+ .7
Germany (West)	-22.5	---	---	---	-22.5
Greece	---	---	---	-10.2	-10.2
Iceland	---	---	---	- 2.0	- 2.0
IMF	---	---	+150.0	---	+150.0
Iran	---	---	---	-16.1	-16.1
Italy	+100.0	---	---	---	+100.0
Kuwait	- 9.8	---	---	---	- 9.8
Laos	---	- 1.9	---	---	- 1.9
Lebanon	---	---	-21.0	---	-21.0
Netherlands	---	---	-24.9	---	-24.9
Nigeria	---	---	---	-20.0	-20.0
Peru	- 5.0	---	---	---	- 5.0
Saudi Arabia	-10.0	-25.0	-12.5	---	-47.5
Spain	-58.2	---	-58.0	-40.0	-156.2
Switzerland	-54.9	-20.0	-44.8	- 4.9	-124.6
Turkey	---	- 2.5	---	---	- 2.5
UK	-150.0	+224.6	-54.6	-325.7	-305.7
All Other	- 1.0	- 2.8	- 2.3	- 1.8	- 7.8
Total	-366.0	+178.8	-138.4	-494.4	-820.0

Note: Figures may not add to totals because of rounding.

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 6, 1962

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS FOR FOURTH QUARTER OF 1961

During the fourth quarter of 1961, the net sale of monetary gold by the United States amounted to $494.4 million. The first and third quarters showed net sales of $366.0 million and $138.4 million, respectively, while in the second quarter there was a net purchase of monetary gold by this country of $178.8 million.

These transactions brought to $820.0 million the net sale of monetary gold for the year as a whole.

The Treasury's quarterly report, made public today, summarizes monetary gold transactions with foreign governments, central banks and international institutions for Calendar 1961 by quarters (table on reverse side).

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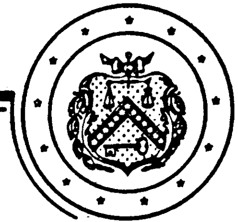
D-412

TREASURY DEPARTMENT



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D-412

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FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1961 - December 31, 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	Fourth Quarter 1961	Calendar Year 1961
Argentina	-90.0	---	---	---	-90.0
Belgium	---	---	-63.0	-81.4	-144.4
BIS	-23.0	---	---	---	-23.0
Cambodia	---	---	---	- 3.1	- 3.1
Chile	- 6.6	---	---	---	- 6.6
Congo Republic	---	---	---	+24.2	+24.2
Costa Rica	---	---	- 2.3	---	- 2.3
Cyprus	---	---	---	- 2.0	- 2.0
Denmark	-35.0	---	---	---	-35.0
Dominican Rep.	---	---	---	- 3.0	- 3.0
Egypt	---	---	---	- 7.8	- 7.8
El Salvador	---	+ 6.4	- 5.0	- .7	+ .7
Germany (West)	-22.5	---	---	---	-22.5
Greece	---	---	---	-10.2	-10.2
Iceland	---	---	---	- 2.0	- 2.0
IMF	---	---	+150.0	---	+150.0
Iran	---	---	---	-16.1	-16.1
Italy	+100.0	---	---	---	+100.0
Kuwait	- 9.8	---	---	---	- 9.8
Laos	---	- 1.9	---	---	- 1.9
Lebanon	---	---	-21.0	---	-21.0
Netherlands	---	---	-24.9	---	-24.9
Nigeria	---	---	---	-20.0	-20.0
Peru	- 5.0	---	---	---	- 5.0
Saudi Arabia	-10.0	-25.0	-12.5	---	-47.5
Spain	-58.2	---	-58.0	-40.0	-156.2
Switzerland	-54.9	-20.0	-44.8	- 4.9	-124.6
Turkey	---	- 2.5	---	---	- 2.5
UK	-150.0	+224.6	-54.6	-325.7	-305.7
All Other	- 1.0	- 2.8	- 2.3	- 1.8	- 7.8
Total	-366.0	+178.8	-138.4	-494.4	-820.0

Note: Figures may not add to totals because of rounding.

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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated December 14, 1961, (91 days remaining until maturity date on June 14, 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 Banks on March 15, 1962 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 15, 1962 (23). Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

March 7, 1962

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 $1,800,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing March 15, 1962 , in the amount of $1,701,558,000 , as follows:

91 -day bills (to maturity date) to be issued March 15, 1962 , in the amount of $1,200,000,000 , or thereabouts, representing an additional amount of bills dated December 14, 1961 , and to mature June 14, 1962 , originally issued in the amount of $ 600,818,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $600,000,000 , or thereabouts, to be dated March 15, 1962 , and to mature September 13, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, March 12, 1962 . 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

D-413

TREASURY DEPARTMENT

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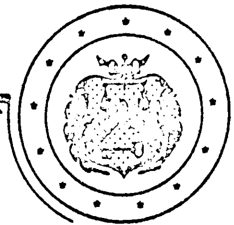

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Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders 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.

D-413

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated December 14, 1961, (91-days remaining until maturity date on June 14, 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 March 15, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 15, 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.

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

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allowed to complete our staffing as proposed, I will then be in a position to fully discharge my responsibilities as I see them.

* * * * * *

This concludes the remarks I wanted to make in this statement on these appropriation items. I urge most strongly your favorable consideration of this appeal for restoration of the reductions in the items I have discussed. I will be pleased to now discuss any other matters in which the Committee may be interested, or to answer any questions that the Committee may have.

the office, particularly in the professional fields which are undermanned.

The 24 new positions requested for 1963 are to strengthen the existing staffs in the various organizational units within the Office of the Secretary, including the staff assistance available to me. The House Bill allows only 12 new positions, or one-half of our request.

Included in the 24 positions are 15 which were requested in the estimate submitted for 1962 but could not be funded when the appropriation was reduced by $133,000. The remaining nine are positions which the past year's experience has convinced us must be provided to handle the workload. Each position requested is to be utilized in an area where the amount of work has increased to the point where it cannot be handled without many hours of overtime. In addition, the lack of sufficient staff is making it impossible for us to undertake all of the analyses which should be made. The areas which particularly need strengthening are the Office of Under Secretary for Monetary Affairs, Executive Secretariat, Office of Financial Analysis, Office of Tax Analysis, Office of Tax Legislation, and the reproduction, secretarial, library, and custodial forces of the Office of Administrative Services.

The estimated 481 average positions requested for 1963 are the minimum required to discharge the functions of the Office of the Secretary other than those relating to emergency planning. Therefore, I urge that action be taken to restore the reduction of $100,000 recommended by the House Subcommittee on Appropriations. In this connection, I would like to express my appreciation to you, Mr. Chairman, and to the rest of the Committee for permitting us to strengthen our staff of professional economists by the increases approved last year. This has allowed me to fulfill my responsibilities to the President in the over-all financial area and particularly in the important field of the balance of payments in a far more satisfactory way than would otherwise have been the case. I consider that if we are

agents are required whenever Presidential travel is involved. We have not thought it efficient to assign these men to Washington when their full-time service is not required. Instead, men who augment our regular protective detail are stationed in the various field offices where, when their services are not required for Presidential travel, they are effectively utilized in combatting the ever-increasing activities of organized crime as it pertains to counterfeiting and check and bond forgery. They are sorely needed in these field offices. The number of counterfeiting cases jumped 60 percent during 1961, as compared with 1960. During the same period, there was a doubling in the number of cases involving forgery and fraudulent negotiation of Government bonds.

Unless we receive these extra positions, the added manpower requirements for Presidential protection which must be met when the President travels at home or abroad, will require us to denude our local offices at a time when counterfeiting and forgery are rising rapidly. The additional agents which we have requested are imperative if we are to meet the increased needs for Presidential protection and the growing menace of counterfeiting.

OFFICE OF THE SECRETARY:

The House reduced the 1963 estimate of $4,660,000 for this item by $180,000, of which approximately $80,000 related to the assumption of financing for civil defense activities, and $100,000 is applicable to staff increases requested. While no protest is being made with respect to the civil defense portion of the estimate, it should be understood that the funds requested will be needed, either in this appropriation or from another source, if another form of financing is followed. Leaving the funds in this appropriation, as contemplated in the budget, would seem to have the merit of reflecting the costs in the place where they are actually incurred. We do urgently request restoration of the $100,000 for increasing the staffing of

more than the 210 officers requested in the 1963 budget. The 25 additional enforcement positions allowed by the House are a token gesture in the right direction but are completely inadequate to fulfill actual needs. They will not even provide for all of the ports where there is now a total lack of enforcement officer coverage, and of course will provide nothing at all for those ports where additional enforcement is necessary. Restoration of the full amount of this request is urgently requested.

UNITED STATES SECRET SERVICE:

The House Bill accorded a reduction of $550,000 in the 1963 estimate of $5,850,000 for the United States Secret Service.

There appears to have been some misunderstanding in our request for 58 additional special agents and 22 additional clerk-stenographers. Although these positions were going to be assigned to the field for regular investigative duties, they also are counted on to form an integral and vital part of the protection of the President and his family. In this connection, whenever Presidential travel is contemplated, seasoned special agents from various field offices are summoned to augment the headquarters White House Detail prior to and during the period the President is visiting locations in the United States or abroad. For example, in situations of foreign Presidential travel, depending upon the number of countries visited, the special agents regularly assigned to the White House Detail are assigned to the necessary advance preparations, and, to replace them, the experienced field special agents are withdrawn from their regular criminal investigative activities. Their temporary assignment to the headquarters White House Detail are for varying periods of time, depending on the length of the Presidential trip involved.

The size of the White House Detail is set to cover the requirements for Presidential protection while the President is in Washington. Additional

that of the Customs Agency Service. Customs' intelligence-gathering and investigative staff and the enforcement officers are now combined under the Division of Investigations and Enforcement. A large amount of time had to be devoted to reassigning, recruiting, and training men before increased effectiveness could appear, and we are now ready to capitalize fully on this important move.

I am convinced that our present enforcement officers are effective, both as individuals and as part of our over-all enforcement program. However, the limited staff now available cannot provide adequate enforcement coverage. The 1963 budget request for 210 additional positions in this area was designed to meet, firstly, almost a total lack of enforcement coverage at some ports where foreign trade by vessel has become active in recent years; and secondly, the need for additional enforcement coverage at ports where the volume of international carriers has continued to increase year after year.

Our enforcement officer staff now stands at just over 500 men--the smallest total in modern times and less than one third of the personnel available 15 years ago. In the meantime, total imports have more than doubled. Even with the increased effectiveness which has been achieved, this is simply too small a staff to provide adequate coverage. Yet, without proper coverage the Nation's ports are open to smuggling of all kinds, including, of course, narcotics. It is for this reason that this year we have asked for an increase in our enforcement personnel. A full field survey of customs enforcement officer requirements has just been completed by representatives of the Bureau of the Budget, of my office, and of the Bureau of Customs. Preceding the preparation of the final report, the preliminary conclusion reported orally to me was that enforcement activities required strengthening in several ways, including the assignment of several hundred more enforcement officers to ports throughout the country--considerably

is no advantage to be gained by over-estimating for this appropriation, since the funds cannot be used for any purpose other than retirement pay. We are just as anxious as the House to estimate correctly on this item. It is our considered judgement that the House reduction of $700,000 in this item will be needed and should be restored.

Joint Study of the Coast Guard

With respect to the Coast Guard generally, it might be of interest to note that a comprehensive survey of the roles and missions of the Coast Guard has been under way since October 1961 by joint study teams representing the Treasury, the Bureau of the Budget, the Department of Defense, and the Coast Guard. Each program of the Coast Guard is being subjected to a searching analysis during the course of this study to establish operational guidelines and related policies and a more exact delineation of areas and levels of responsibility. This study will develop information which is expected to be highly useful for planning purposes in a variety of different ways especially with respect to the vessel replacement program. A target date of June 1, 1962 has been set for the completion of the study and we will be pleased to keep this Committee and the Congress advised of the results and possible future implications on budgetary requirements.

BUREAU OF CUSTOMS:

The House recommended a reduction of $1.4 million in the $66 million estimate for the Bureau of Customs, thereby eliminating 200 of the 290 additional positions requested for 1963. One hundred and eighty-five of the eliminated positions were for Customs enforcement officers. The 25 positions allowed in this area were to provide for those ports of entry not now receiving "adequate coverage." Since the main issue raised by the House action relates to the need for Customs enforcement officers, I would like to address myself to this requirement.

About two years ago, after lengthy investigation by the House Committee and at its urging, the Customs enforcement officer staff was merged with

An undesirable side effect would result as well from the discontinuance of the vessel construction program. This would be the loss of technical personnel now engaged in design and construction inspection activities. Experience has shown that retention of these people is difficult, and temporary discontinuance of projects would certainly result in a significant loss of experience and background accumulated in the program. For instance, the orderly working of the Coast Guard YARD would be disrupted. For efficiency and economy the planned YARD workload must be maintained at as even a level as practicable.

Finally, reductions in the vessel replacement program will be reflected in increased maintenance requirements. The situation thus created would even further aggravate the precarious condition of our maintenance programs, already endangered by recommended reductions in the appropriation for operating expenses.

Finally, I wish to point out that we are recommending that the vessel replacement program be maintained only at last year's level pending the completion of the long-range study of the Coast Guard to which I will refer in a moment.

Retired Pay

A reduction of $700,000 in the Coast Guard's 1963 Retired Pay appropriation cannot be effected without the postponement of retirements to which military members will be eligible pursuant to existing law. It should be noted that the House Report recognizes the full legal liability for these payments, does not recommend any stretch-out of retirements, but does question the statistical validity of the Coast Guard estimate and recommends the reduction solely because of this difference of opinion. The fund requirements for this appropriation are based upon statistical changes that can be predicted within a high degree of accuracy, and the estimate for 1963 is fully supported by recent history and current trends. It should be noted that there

necessary to support present operating programs.

After careful review of the various programs, we are satisfied that no reduction in the scope of planned operations can be accepted as a feasible means for meeting the reduction recommended in this item. The only recourse would be to apply the reduction to maintenance and repair which would be neither safe from an operating standpoint nor economical from a financial standpoint. It is urged that the $2.5 million reduction in this estimate be restored and the full amount of the budget request be approved.

Acquisition, Construction and Improvements

In a similar manner, the effects of a $14,000,000 reduction in Acquisition, Construction and Improvements programs will nearly, if not entirely, eliminate any vessel replacement construction in 1963. Of the $25,000,000 recommended by the House, $15,788,000 will be required to support the aviation and training facility programs which have been supported by the Congress in the past, and practically all of the balance to provide aids to navigation essential to the mariner and boatman in new or improved waterways and essential shore installations such as repair and supply facilities. It is thus apparent that the $15,100,000 program for vessel replacement must be virtually eliminated.

The importance of continuing an adequate vessel replacement program is illustrated by the fact that one old lightship has recently been declared unserviceable, and a medium patrol craft has been deemed beyond economical repair and decommissioned. The condition of a large number of vessels is becoming increasingly critical. An additional three lightships are at least as old as the one just mentioned. The patrol craft constructed in the 1920's and 1930's for anti-smuggling are rapidly reaching the end of their usefulness and should be replaced as rapidly as replacements can be provided.

limits of the $5 million recommended by the House Committee, and no protest is being made on this reduction.

UNITED STATES COAST GUARD:

The House Bill recommends reductions in Coast Guard appropriations totalling $17.2 million, all of which is being appealed.

Operating Expenses

In imposing a reduction of $2.5 million in the budget request for Operating Expenses, the House Report indicated it was to be applied against expanded programs, such as aids to navigation and loran coverage for which increases totalling $7,350,000 were requested in 1963. However, included in the $7,350,000 proposed for program increases under Operating Expenses, is $3,006,000 for program increases over which we have no control. These programs involved the operation of new loran stations and aids to navigation being constructed this year and fixed costs resulting from the recruiting and discharge programs. In addition, the deterioration and obsolescence of air search radar aboard our major cutters have reached the point where the full costs of replacing this essential equipment must be met. These costs must be met even if it becomes necessary to eliminate other programs in their entirety. Likewise, the program of installing on-line cryptographic equipment must be started at the earliest practicable date if we are to maintain an adequate communications capability.

The estimates for recruiting and discharge programs cover unavoidable costs attributable to the personnel program which must be provided for in 1963. Curtailment is not feasible. The remaining programs for military readiness, and management and training improvements are at the minimum

also eat into the $11 million that is required simply to maintain our present standards of enforcement. I certainly cannot agree that we ought to go backwards by lessening rather than increasing enforcement. Nor can I agree that the Nation should thereby be deprived of over $100 million in direct enforcement revenue in 1963, plus additional revenues in the voluntary compliance area, and still greater revenues in 1964 and succeeding years. Forcing us to reduce the fiscal year 1963 budget revenue estimates by over $100 million seems particularly inappropriate at a time when every effort is needed to achieve a balanced budget.

The 1963 budget estimates represent a balanced program for the advancement of the long-range plan of expansion. As a general proposition, any substantial reduction in the estimate presented would simply result in a stretch-out of the plan, putting further into the future the things we ought to be doing today. Moreover, the reductions in the other requests offer the additional hazard of upsetting an otherwise balanced program, so that progress can no longer be made with proper coordination, harmony and emphasis.

The House Committee recommended a reduction of $5 million in the $10 million request contained in the estimate for reimbursing the Social Security Administration for the cost of assigning taxpayer identification numbers pursuant to recent legislation. These account numbers will provide a positive identification and control of taxpayer accounts and returns and are a vital factor in the system of procedures being formulated for the application and use of automatic data processing equipment. When the estimate was originally prepared, the amount requested was based upon the best information available at the time as to the number of individuals who would require new numbers. It has since been determined that fewer new numbers will be required than originally estimated and the House Committee was so advised. It now appears that the program can be pursued within the

In view of the limited audit coverage which is possible with existing resources, with due regard to evidence concerning unreported income and the need to tighten up enforcement, and in fairness to the many honest public-spirited taxpayers who are the bulwark of our voluntary tax assessment system, I am unable to agree with the action of the House regarding the reduction made in this item.

The 1963 budget estimates provided approximately $27.2 million for increasing the number of positions. Of this amount, $11 million was needed simply to keep up with normal growth in the workload; that is, to maintain the current level of enforcement. Another $16.2 million was requested to expand the staff to increase audit coverage and raise the enforcement level.

In addition, $6.8 million was provided to carry forward the automatic data processing program, which holds out such great promise for the advancement of tax administration. Other requested increases were: $17.6 million for necessary space, equipment, supplies, travel, training and promotions; $1.9 million to cover increased per diem costs resulting from recent legislation; and a one-time appropriation of $10 million for the taxpayer numbering system which I will come back to a little later. Certain offsetting adjustments resulted in a total requested increase of $61 million.

The House Bill recommends a reduction of over half of this increase--$21 million of the $33 million cut being assigned to the increase in positions requested, $7 million to the items for space, training, travel, equipment, supplies and promotions, and $5 million to the cost of providing taxpayer account numbers.

The most important point to be noted in connection with the House action is the fact that the $21 million cut recommended in staff expansion would not only wipe out completely the $16.2 million for increasing audits and raising the enforcement level, but would, to the extent of nearly $5 million,

The Treasury is requesting the restoration of $47,250,000 in five accounts--$28,000,000 for Internal Revenue Service, $17.2 million for the Coast Guard, $1.4 million for the Bureau of Customs, $550,000 for the Secret Service, and $100,000 for the Office of the Secretary.

In addition, we point out that a number of the other cuts were based on differing estimates as to the probable workload of various bureaus, such as the Bureau of Accounts, Bureau of the Public Debt, Bureau of the Mint, and the Office of the Treasurer.

While we will try to live within the limits set for these accounts by the House Bill, if our original workload estimates should prove correct, we will have to come back at a later date for supplemental funds.

I would like to turn now to the specific appropriation areas which are most seriously affected by House reductions and where appeal is being made to this Committee for restoration. I believe it would be most convenient to take them up in the order in which they were listed in the letter to the Chairman.

INTERNAL REVENUE SERVICE:

The 1963 budget estimate for the Internal Revenue Service of $513 million reflected an increase of $61 million over the 1962 appropriation in order to advance a third step in the long-range program of expansion initiated in 1961. This long-range plan is a comprehensive program aimed at raising the level of enforcement of our tax laws by increasing the staff, expanding audit coverage, and improving the quality of the work through training and improvements in standards and morale, and by the application and use of the most modern business machines and systems available.

FOR RELEASE ON DELIVERY

23 March 7, 1962

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE TREASURY SUBCOMMITTEE ON APPROPRIATIONS
ON THE TREASURY DEPARTMENT APPROPRIATION BILL
FOR THE FISCAL YEAR 1963
WEDNESDAY, MARCH 7, 1962, 10:00 A.M., EST

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today in connection with the Bill, H.R. 10526, which makes appropriations for the Treasury Department and certain other agencies for the fiscal year 1963. I welcome this opportunity to present the Treasury's views on this Bill in the form in which it was approved by the House.

In this statement, I would like to address myself especially to the appropriation items on which appeal is being made to this Committee for restoration of House reductions. I have with me a copy of the statement I presented before the House Subcommittee, which contains summary highlights of each of the appropriation estimates. You may wish to have it inserted at this point in the record of these proceedings.

The explanations of the House Committee action as contained in the Report accompanying the Bill were subjected to the most careful scrutiny as soon as the Report was made available late last week. Each Treasury bureau was instructed to make a careful reexamination of its projected programs and fund requirements as reflected in the 1963 budget estimates in the light of the recommendations of the House Committee. Based upon these reviews, I forwarded to the Chairman this week a letter setting forth the Department's position with respect to the House action, and requesting restoration of reductions where the impact of the cuts on the programs concerned was considered to be too severe and unwarranted to be acceptable. Perhaps it would be helpful to insert that letter into the record at this point.

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In view of the limited audit coverage which is possible with existing resources, with due regard to evidence concerning unreported income and the need to tighten up enforcement, and in fairness to the many honest public-spirited taxpayers who are the bulwark of our voluntary tax assessment system, I am unable to agree with the action of the House regarding the reduction made in this item.

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The House recommended a reduction of $1.4 million in the $66 million estimate for the Bureau of Customs, thereby eliminating 200 of the 290 additional positions requested for 1963. One hundred and eighty-five of the eliminated positions were for Customs enforcement officers. The 25 positions allowed in this area were to provide for those ports of entry not now receiving "adequate coverage." Since the main issue raised by the House action relates to the need for Customs enforcement officers, I would like to address myself to this requirement.

About two years ago, after lengthy investigation by the House Committee and at its urging, the Customs enforcement officer staff was merged with

that of the Customs Agency Service. Customs' intelligence-gathering and investigative staff and the enforcement officers are now combined under the Division of Investigations and Enforcement. A large amount of time had to be devoted to reassigning, recruiting, and training men before increased effectiveness could appear, and we are now ready to capitalize fully on this important move.

I am convinced that our present enforcement officers are effective, both as individuals and as part of our over-all enforcement program. However, the limited staff now available cannot provide adequate enforcement coverage. The 1963 budget request for 210 additional positions in this area was designed to meet, firstly, almost a total lack of enforcement coverage at some ports where foreign trade by vessel has become active in recent years; and secondly, the need for additional enforcement coverage at ports where the volume of international carriers has continued to increase year after year.

Our enforcement officer staff now stands at just over 500 men--the smallest total in modern times and less than one third of the personnel available 15 years ago. In the meantime, total imports have more than doubled. Even with the increased effectiveness which has been achieved, this is simply too small a staff to provide adequate coverage. Yet, without proper coverage the Nation's ports are open to smuggling of all kinds, including, of course, narcotics. It is for this reason that this year we have asked for an increase in our enforcement personnel. A full field survey of customs enforcement officer requirements has just been completed by representatives of the Bureau of the Budget, of my office, and of the Bureau of Customs. Preceding the preparation of the final report, the preliminary conclusion reported orally to me was that enforcement activities required strengthening in several ways, including the assignment of several hundred more enforcement officers to ports throughout the country--considerably

more than the 210 officers requested in the 1963 budget. The 25 additional enforcement positions allowed by the House are a token gesture in the right direction but are completely inadequate to fulfill actual needs. They will not even provide for all of the ports where there is now a total lack of enforcement officer coverage, and of course will provide nothing at all for those ports where additional enforcement is necessary. Restoration of the full amount of this request is urgently requested.

UNITED STATES SECRET SERVICE:

The House Bill accorded a reduction of $550,000 in the 1963 estimate of $5,850,000 for the United States Secret Service.

There appears to have been some misunderstanding in our request for 58 additional special agents and 22 additional clerk-stenographers. Although these positions were going to be assigned to the field for regular investigative duties, they also are counted on to form an integral and vital part of the protection of the President and his family. In this connection, whenever Presidential travel is contemplated, seasoned special agents from various field offices are summoned to augment the headquarters White House Detail prior to and during the period the President is visiting locations in the United States or abroad. For example, in situations of foreign Presidential travel, depending upon the number of countries visited, the special agents regularly assigned to the White House Detail are assigned to the necessary advance preparations, and, to replace them, the experienced field special agents are withdrawn from their regular criminal investigative activities. Their temporary assignment to the headquarters White House Detail are for varying periods of time, depending on the length of the Presidential trip involved.

The size of the White House Detail is set to cover the requirements for Presidential protection while the President is in Washington. Additional

agents are required whenever Presidential travel is involved. We have not thought it efficient to assign these men to Washington when their full-time service is not required. Instead, men who augment our regular protective detail are stationed in the various field offices where, when their services are not required for Presidential travel, they are effectively utilized in combatting the ever-increasing activities of organized crime as it pertains to counterfeiting and check and bond forgery. They are sorely needed in these field offices. The number of counterfeiting cases jumped 60 percent during 1961, as compared with 1960. During the same period, there was a doubling in the number of cases involving forgery and fraudulent negotiation of Government bonds.

Unless we receive these extra positions, the added manpower requirements for Presidential protection which must be met when the President travels at home or abroad, will require us to denude our local offices at a time when counterfeiting and forgery are rising rapidly. The additional agents which we have requested are imperative if we are to meet the increased needs for Presidential protection and the growing menace of counterfeiting.

OFFICE OF THE SECRETARY:

The House reduced the 1963 estimate of $4,660,000 for this item by $180,000, of which approximately $80,000 related to the assumption of financing for civil defense activities, and $100,000 is applicable to staff increases requested. While no protest is being made with respect to the civil defense portion of the estimate, it should be understood that the funds requested will be needed, either in this appropriation or from another source, if another form of financing is followed. Leaving the funds in this appropriation, as contemplated in the budget, would seem to have the merit of reflecting the costs in the place where they are actually incurred. We do urgently request restoration of the $100,000 for increasing the staffing of

the office, particularly in the professional fields which are undermanned.

The 24 new positions requested for 1963 are to strengthen the existing staffs in the various organizational units within the Office of the Secretary, including the staff assistance available to me. The House Bill allows only 12 new positions, or one-half of our request.

Included in the 24 positions are 15 which were requested in the estimate submitted for 1962 but could not be funded when the appropriation was reduced by $133,000. The remaining nine are positions which the past year's experience has convinced us must be provided to handle the workload. Each position requested is to be utilized in an area where the amount of work has increased to the point where it cannot be handled without many hours of overtime. In addition, the lack of sufficient staff is making it impossible for us to undertake all of the analyses which should be made. The areas which particularly need strengthening are the Office of Under Secretary for Monetary Affairs, Executive Secretariat, Office of Financial Analysis, Office of Tax Analysis, Office of Tax Legislation, and the reproduction, secretarial, library, and custodial forces of the Office of Administrative Services.

The estimated 481 average positions requested for 1963 are the minimum required to discharge the functions of the Office of the Secretary other than those relating to emergency planning. Therefore, I urge that action be taken to restore the reduction of $100,000 recommended by the House Subcommittee on Appropriations. In this connection, I would like to express my appreciation to you, Mr. Chairman, and to the rest of the Committee for permitting us to strengthen our staff of professional economists by the increases approved last year. This has allowed me to fulfill my responsibilities to the President in the over-all financial area and particularly in the important field of the balance of payments in a far more satisfactory way than would otherwise have been the case. I consider that if we are

allowed to complete our staffing as proposed, I will then be in a position to fully discharge my responsibilities as I see them.

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This concludes the remarks I wanted to make in this statement on these appropriation items. I urge most strongly your favorable consideration of this appeal for restoration of the reductions in the items I have discussed. I will be pleased to now discuss any other matters in which the Committee may be interested, or to answer any questions that the Committee may have.

One has only to look at the new market in compact cars to appreciate how much scope there is for a constructive response to import competition. Furthermore, recent factory shipments of U.S.-made small transistor radios have doubled, as we began to take advantage of a domestic market created by Japanese imports. At first the imports far outnumbered domestic production, but our own manufacturers quickly improved production methods and increased production when they saw the market potential. The resulting drop in unit cost, thanks to increased efficiency, made the difference, despite the lower wages in Japan.

The trade program offers a challenge -- not a threat. This is particularly true in the matter of jobs. One out of every eight farm workers produces for export, and nearly eight percent of the employment in manufacturing is attributable to exports. In all, more than three million workers owe their jobs -- directly or indirectly -- to exports, many more than the small fraction of all workers who might be adversely affected by a rise in imports. Failure to enact the trade program would seriously affect these export workers, by making it more difficult to sell goods in Europe.

The President's Trade Program is not an isolated, one-shot proposal, but a strong commitment to a new era in economic cooperation among all free nations. It has political, as well as economic implications, for trade is a means to stay in touch with other nations on a basis of mutual interest arising from mutual advantage. The trade program is not merely a device to deal with the Common Market, but an avenue of cooperation for all free nations. Trade with the Common Market will stimulate both our own growth and that of our allies in Western Europe -- thereby expanding their capacity to assume an increasing share of the common defense of freedom. If freedom is to survive, the free nations must be united as closely as possible in pursuit of our common purpose.

The President's Trade Program is a major means of achieving ever closer cooperation and economic strength. Without it, our immediate outlook is uncertain. With it, we are a step closer to our goal of a free world of thriving, prosperous and strong nations. Let us reject economic insularity as we rejected political insularity. Let us decide now, while there is time, that we will not let this opportunity pass. Let us seize it boldly, in the best tradition of a people who welcome change and challenge and who willingly face up to competition.

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Here are some facts to be considered in evaluating the threat of low-wage foreign competition:

-- Our high-wage industries usually do much better in export markets -- and suffer less in import markets -- than our low-wage industries.

-- Despite the fact that our wage rates in many cases are double or triple those of our competitors, the United States exports much more to foreign markets than any other nation.

-- We sell far more abroad than other countries sell to us. Last year our trade surplus, excluding aid-financed exports, totaled $3 billion.

-- About sixty percent of our present imports do not compete with domestic goods, either because they are products we do not produce in this country, or at least do not produce in any significant quantity.

-- And finally, it is not unit wage cost, but overall unit cost that is important in determining competitive prices. An American coal miner, for instance, is paid eight times as much as a Japanese miner, but we still sell tens of millions of dollars worth of coal to Japan every year. Part of the explanation is that the American miner produces coal about fourteen times faster than his Japanese counterpart, so our overall unit cost is smaller.

While the fact that foreign wages are lower than ours does not in itself make foreign manufacturers more competitive than our own -- and while considerable pressure is building up to drive foreign wages higher -- this does not mean that we can afford to ignore the importance of our own wage-price structure. On the contrary, our wages and prices are all-important in determining our competitive position against foreign producers, both in domestic and overseas markets.

From 1955 to 1957, for instance, U. S. wages and prices in a few key exporting industries rose substantially in relation to those in Europe, and during that period, our share of world exports of those commodities fell sharply.

Wage-price inflation at home must be avoided at all costs. Such inflation would create serious trouble for our manufacturers in competing against foreign producers both at home and abroad.

The beneficial effect of imports on our economy is often overlooked. Many of our important industries are dependent upon imports for raw materials. We must, for instance, import ninety percent of our manganese or chrome ore -- essential products in steel production.

Finally, negotiations take time -- the last round took 17 months -- and there is always a delay before the agreements become effective. If we are to make significant progress, we cannot afford to lose time. It is important to provide a new trade program -- and it is also important to provide it without delay. President Kennedy's new trade proposal will give him authority to bargain for whole groups of products at once. Only in that way can effective tariff reduction be negotiated with the Common Market.

The time for decision is running out. So far, our role as a supplier and customer of the Common Market has been steadily picking up momentum. But the potential for progress, prosperity, and growth, dammed up behind internal European trade barriers, is being let loose as those barriers are taken down, and the result is a torrent of trade between the Market countries. For example, West German trade with the other five Common Market countries rose last year about twice as fast as her total foreign trade. We must act promptly to demonstrate to Europe that we intend to take an active part in the new trade era. Prolonged inaction -- or inadequate authority -- could defeat this purpose.

Since it came into being almost five years ago, the Common Market has grown -- in terms of gross national product -- at roughly twice the rate of the United States. With the proposed addition of the United Kingdom and other full and associate members, it would have a population substantially larger than ours, with an economy which would also rival ours. Equally important, it would have -- in time -- a single external tariff barrier, just as we do. The profit potential for us in the Common Market is clear. European highways are jammed with shiny new cars, luxury shops are crowded with eager customers, new stores are constantly opening their doors. These are all signs -- so common in America -- of a high-income, high-consumption economy. Thousands of familiar U. S. products are unknown in Europe, and even though Europe's shop-windows are well-stocked, they can hold a great deal more. For American manufacturers the development of this new Europe could be a bonanza.

One of the most frequent arguments in opposition to the trade program is that lowering our tariff barriers would open us to a flood of low-wage foreign competition that would damage our domestic industries.

No one, of course, can rule out the possibility of some damage to domestic industry. Such damage as might occur, however, would be limited to a relatively small proportion of our overall economy. While some individual companies might suffer, there is no evidence to support any prediction of economic damage to our economy as a whole. To assist the adjustment of industries and localities to whatever harmful competition might develop, President Kennedy has proposed a trade adjustment program. It will also provide, wherever necessary, for retraining workers for new jobs. A similar program inside the Common Market has proved highly successful in smoothing over the rough spots that have developed as the member countries moved toward complete free trade among themselves.

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of freer trade, it must be a world in which decisions to invest at home or abroad are not based on tax incentives, but on genuine economic factors. Although we cannot change foreign tax laws, we can, if we wish, see to it that American capital is taxed in similar fashion wherever it may be. This does not mean that we look with disfavor on foreign investment -- provided it is based on economic considerations, rather than tax favoritism which discriminates against investment at home. We propose, of course, to leave intact the present tax advantage for investment in underdeveloped nations. This is appropriate because such investment not only involves a greater risk, but because it also serves a vital purpose in adding to the potential economic strength of the free world.

In addition to our tax and trade policies, we are employing other measures to expand exports. One deserves particular mention. It is a new program of insurance against both commercial and political risks in export trade which was recently begun by the Export-Import Bank in cooperation with fifty-seven private insurance companies. This program offers our exporters for the first time insurance comparable to that available to their European and Japanese competitors.

Recent and proposed export promotion measures should begin to show results sometime this year -- although their full impact may not be felt for two years or more. Such measures cannot succeed, however, if American products must surmount a barrier of high tariffs abroad. This is why President Kennedy has asked Congress to give him the authority to negotiate effective tariff reductions and allow our goods to enter foreign markets on a competitive basis.

But negotiating is a two-way street, and the President must have the power to lower our tariffs as well. At present he has authority only to negotiate for one item at a time -- bargaining the wall down brick by brick. This slow process will not work with the Common Market, which has already reduced its internal tariffs about forty percent and is moving ahead of schedule. We can't keep pace under the present authority.

This was made clear in the announcement yesterday by President Kennedy of the conclusion of tariff negotiations with the Common Market and 25 other countries at Geneva. Largely because of the difficulties imposed by our current law, those negotiations were extraordinarily complex, and it is no exaggeration to say that they used up all the available authority given to the President under our present legislation.

We achieved agreement stabilizing or reducing tariffs on $4.3 billion a year in export items, whereas our concessions covered only $2.9 billion in imports. The agreements, although excellent, are only a start of really effective action to take advantage of the opportunity of this expanding market. If we are ever to seize this opportunity, we must give our negotiators real power to bargain. Without it they are helpless to protect the vital interests of our farmers and businessmen in the negotiations ahead.

The task is a staggering one. We must grow fast enough to create an additional 1.5 million new jobs a year during the present decade to provide for the expected increase in our labor force. In addition, more than a million jobs are needed merely to reduce unemployment from its present unacceptable level of more than 5-1/2 percent, to a more tolerable level of four percent. Finally, employment opportunities must be kept open for the millions of workers who will be affected in the years ahead by advancing technology.

The additional jobs we need, and the equilibrium we seek in our balance of payments, depend in good part upon a trade policy that will increase exports through effective tariff reduction. It is imperative that we expand our commercial trade surplus -- the excess of merchandise exports over imports -- because increased export sales help to raise output, broaden our industrial base, and create more jobs. Exports also give us the foreign exchange we need to finance our vital overseas programs of defense and foreign aid -- as well as private investment -- without loss of dollars or gold.

Another proposal to promote domestic growth and expand exports is our tax program. It seeks to do this by encouraging a higher level of domestic investment in equipment and machinery that will lead to increased productive efficiency. Such new investment is needed if American business is to modernize and thus continue to maintain competitive prices in world markets -- as it must to expand sales abroad.

President Kennedy's tax program -- on which the Ways and Means Committee of the Congress has just completed work after six months of the most careful consideration -- is designed to promote investment at home in two major ways.

The first is our proposed investment credit, which would allow a tax deduction of eighty dollars for every thousand dollars spent on new equipment. We are also revising existing tax guidelines for depreciation of equipment. The completion of the depreciation program -- which we have promised for the spring -- will, with the investment credit, give American manufacturers tax treatment comparable to their foreign competitors. The result will be more investment in new, up-to-date equipment which will increase productive efficiency and improve our competitive position.

The second way in which our tax program seeks to increase domestic investment is by removing the long-standing preference in our tax laws for investment abroad. The bill takes a major step in this direction by effectively ending the benefits of so-called "tax haven" operations -- use of U.S.-controlled business subsidiaries in countries which impose little or no tax on their operations. If we are to use our resources effectively in a world

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FOR RELEASE ON DELIVERY

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BEFORE
THE DALLAS WORLD AFFAIRS COUNCIL
DALLAS, TEXAS, THURSDAY,
MARCH 8, 1962, 6:30 P.M., C.S.T.

The Challenge of a New Era in World Trade

Next Monday in Washington the Congress will begin hearings on a crucially important legislative proposal that is designed to keep this Nation moving ahead -- strong and prosperous -- in an increasingly competitive world. I refer to President Kennedy's sweeping new trade program.

The overriding aim of that proposal is to bring the United States into step with the dynamic new era in world trade that opened less than ten years ago with the formation of the European Coal and Steel Community. Soon after, six European nations agreed to remove trade barriers and foster economic and political cooperation between them within a Common Market. That brilliant experiment, which rode the wave of European expansion, has been fabulously successful -- and its success has created a major challenge for the United States States.

The challenge is simply this: are we going to compete with the Common Market on equal terms -- or are we going to step aside because we are afraid to compete?

In making our decision, we must bear in mind that the Common Market will profoundly influence trade among all free nations. We should also bear in mind that our decision to compete or to step aside will have far-reaching consequences -- not only for the United States and the Common Market countries, but for every free nation, developed or developing, with a stake in world trade.

Our decision may well determine whether the free world of the future will be a close-knit, cooperative alliance of thriving nations, or a loose coalition of trading blocs, each with its own economic interests, and each a potential political rival of the others.

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twenty-eight years, and is now at the end of its usefulness -- with a vital new program: the Trade Expansion Act of 1962. This bold new approach to world trade will give the President the power he needs to bargain effectively with the Common Market -- as well as with other nations or groups of nations -- for mutually profitable reduction of trade barriers.

In the months ahead, the new program will be widely discussed and hotly debated. I hope that the debate will not polarize around theoretical extremes of absolute protection or absolutely free trade. For this is a practical proposal, and an important one, deserving of our most thoughtful consideration. It is an answer to a challenge to compete on even terms. It is not without risks. But its opportunities far outweigh the risks -- and we face greater risks if we fail to act.

The President's Trade Program is designed to take advantage of those opportunities. If it becomes law -- and if we then energetically exploit our vast export potential -- the United States will continue to grow and prosper as the greatest trading nation in the world.

The importance of increasing our exports becomes clear in the light of our two major economic problems: the persistent deficit in our international balance of payments, and our need for more rapid economic growth.

Our balance of payments deficits in the last four years have totaled about $13.5 billion, and have reduced our gold reserves by almost six billion dollars. If we are to end this steady drain of gold, we must reduce and eventually eliminate our deficits. We have already taken action along a broad front, and, as a result of our efforts our gold outflow last year was cut in half, and our deficit by a third.

While the long-range outlook for our balance of payments is hopeful, improvement may not continue at last year's pace. We are at present in a time of cross-currents. The combination of boom abroad and recession at home -- which simultaneously expanded our exports and reduced our demand for imports -- was in large part responsible for our favorable balance of payments position last spring. But this has changed, and now our economy is expanding rapidly, while the European boom is showing some tentative signs of stabilizing.

Our principal domestic economic problem is how to maintain our own expansion at a pace adequate to meet the increasing need for production and jobs.

The task is a staggering one. We must grow fast enough to create an additional 1.5 million new jobs a year during the present decade to provide for the expected increase in our labor force. In addition, more than a million jobs are needed merely to reduce unemployment from its present unacceptable level of more than 5-1/2 percent, to a more tolerable level of four percent. Finally, employment opportunities must be kept open for the millions of workers who will be affected in the years ahead by advancing technology.

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The beneficial effect of imports on our economy is often overlooked. Many of our important industries are dependent upon imports for raw materials. We must, for instance, import ninety percent of our manganese or chrome ore -- essential products in steel production.

One has only to look at the new market in compact cars to appreciate how much scope there is for a constructive response to import competition. Furthermore, recent factory shipments of U.S.-made small transistor radios have doubled, as we began to take advantage of a domestic market created by Japanese imports. At first the imports far outnumbered domestic production, but our own manufacturers quickly improved production methods and increased production when they saw the market potential. The resulting drop in unit cost, thanks to increased efficiency, made the difference, despite the lower wages in Japan.

The trade program offers a challenge -- not a threat. This is particularly true in the matter of jobs. One out of every eight farm workers produces for export, and nearly eight percent of the employment in manufacturing is attributable to exports. In all, more than three million workers owe their jobs -- directly or indirectly -- to exports, many more than the small fraction of all workers who might be adversely affected by a rise in imports. Failure to enact the trade program would seriously affect these export workers, by making it more difficult to sell goods in Europe.

The President's Trade Program is not an isolated, one-shot proposal, but a strong commitment to a new era in economic cooperation among all free nations. It has political, as well as economic implications, for trade is a means to stay in touch with other nations on a basis of mutual interest arising from mutual advantage. The trade program is not merely a device to deal with the Common Market, but an avenue of cooperation for all free nations. Trade with the Common Market will stimulate both our own growth and that of our allies in Western Europe -- thereby expanding their capacity to assume an increasing share of the common defense of freedom. If freedom is to survive, the free nations must be united as closely as possible in pursuit of our common purpose.

The President's Trade Program is a major means of achieving ever closer cooperation and economic strength. Without it, our immediate outlook is uncertain. With it, we are a step closer to our goal of a free world of thriving, prosperous and strong nations. Let us reject economic insularity as we rejected political insularity. Let us decide now, while there is time, that we will not let this opportunity pass. Let us seize it boldly, in the best tradition of a people who welcome change and challenge and who willingly face up to competition.

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March 8, 1962

FOR IMMEDIATE RELEASE

TREASURY TO OFFER $1.8 BILLION IN
TAX ANTICIPATION BILLS

The Treasury today announced that tax anticipation bills in a total amount of $1.8 billion maturing September 21, 1962, will be auctioned on March 20 for payment on March 23.

The bills will be accepted at face value in payment of income and profits taxes due September 15, 1962. They will be offered without tax and loan privilege.

A formal announcement inviting tenders for the bills will be available March 13.

In addition to the sale of the September tax bills, the Treasury may also continue to increase the size of its weekly offerings of Treasury bills. The decisions on any future additions to the regular weekly bill offerings will be made on a week-to-week basis.

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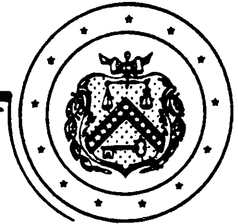
D-415

TREASURY DEPARTMENT



WASHINGTON, D.C.

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D-415

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS BY J. DEWEY DAANE
DEPUTY UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE THE MINNESOTA SAVINGS BONDS CONFERENCE
ST. PAUL HOTEL, ST. PAUL, MINNESOTA
FRIDAY, MARCH 9, 1962, 1:15 P.M., C.S.T.

The Balance of Payments in Perspective

To begin with, the balance of payments concept is not an easy one to grasp. Several years ago, for instance, a businessman paid a social call on the then Secretary of the Treasury and as he was leaving remarked: "Oh, by the way, you'll be happy to hear I'm helping you out on your balance of payments problem -- I'm putting up a branch plant in Europe."

He was, of course, quite mistaken in assuming this would be a help to the U. S. balance of payments position. It would be a net loss in our payments position, but if I say so without qualification I can expect a storm of contradiction from interested parties, along with a maze of closely reasoned statistical information in support of the opposite view.

And this is typical of the whole area of our balance of payments. The conceptsare elusive, many of the issues are in dispute, and to complicate matters further, the figures involved are far from rock-solid. To all of this I should add that much of our present system of accounting represents somewhat arbitrary practice on our part, and there are various other ways of measuring our payments position, most of them with a claim to at least one sound reason why it is superior to the one we use.

I will not go into the many gaps in our information in putting together our balance of payments account. It is enough to mention that no country has a completely accurate picture of its payments during a given period. There are, unquestionably, many factors which produce distortions, but we feel, overall, that the picture given is reasonably accurate -- once it is understood exactly what is being taken account of, and allowances are made for the problems of data collection.

Also, because we use a double entry system of accounting, all the receipts always equal all the debits, so in that we are always in balance, and that is why the account is called the

balance of payments. Naturally the two sides will not balance without correction, and so a category "errors and omissions" is set up to create the balance, and presumably represents unrecorded transactions. This balanced system of accounting adds confusion to our terminology, so we cannot seek balance in our payments -- we must instead seek equilibrium. That is, our long-range goal is neither surplus nor deficit, but one of reasonable fluctuation around a neutral position.

The balance of payments is a way of looking at a very significant problem -- the financial position of the United States vis-a-vis the rest of the world. The important thing to remember is that our balance of payments is merely ONE way of looking at that position, and that there are others as well. The size of our payments deficit, for example, or the amount of the gold outflow, while significant indications, are no more a reflection of the overall picture than railway car loadings are a reflection of the overall state of our domestic economy.

Now that you are forewarned, you will not be surprised if the subject becomes confusing. Many of you are familiar with our balance of payments, but for those of you who have not dealt with it, I will begin at the beginning. Our balance of payments is the net result of all payments and receipts between the United States and other countries. It includes transactions of individuals and of governments.

Thus our balance of payments is affected, one way or another, when a U. S. resident buys something from a foreigner, and vice versa, and wherever money is borrowed or loaned abroad by a U. S. resident or by the U. S. Government.

U. S. payments abroad include such things as the purchase by an American importer of a car built in West Germany, or coffee from Brazil. U. S. payments also include money paid to foreigners by American tourists traveling abroad, and the amounts the U. S. Government spends overseas, to maintain our troops in other countries, or for loans and grants to other countries as part of our aid program. In connection with aid, of course, about two-thirds of it does not affect our balance of payments, since it is spent to purchase U. S. goods and services.

Examples of U. S. receipts are the sale of U. S. products to foreigners, amounts spent by foreign tourists here or payments made by other nations or other foreign borrowers on private or government loans from the United States.

When our payments abroad are larger than our receipts, we have a payments deficit. When we have a deficit, it means, in effect, that we have paid out more dollars than we have received.

The effect of deficits, then, is to increase the number of dollars held by foreigners. Foreign central banks have the option of holding such dollars, or turning them in to the U. S. Treasury for gold. When these dollars are converted into gold, our gold reserves are lowered. The balance of payments problem, therefore, has two aspects -- the first is the need to reduce our dollar outflow to manageable proportions, the second is the need to deter the conversion of dollars into gold.

In this connection it is important to consider whether the dollars held by foreigners -- or as we call them, liquid dollar balances, since the actual dollars do not go abroad, but instead are usually transferred in various forms to foreign accounts in the U. S. -- are held by governments or individuals. If individuals hold them, they cannot be turned in for gold, since only governments -- and their central banks -- can buy gold from the United States. Thus, when there is a deficit, its size does not tell the whole story. It is equally important how the deficit was financed -- what portion of it went out in gold, and what portion in liquid dollar balances, and who holds those balances.

To translate this world of theory into the world of fact, we began to run a deficit in our balance of payments in 1950 -- and have had a deficit every year since with the exception of 1957, when the Suez crisis led to large exports of oil from the United States, creating a small surplus. Between 1951 and 1957, despite the fact that our deficits averaged about a billion dollars a year, they were not accompanied by any gold outflow from the United States. This was because foreign countries were content to add that much to their dollar holdings rather than convert some of the dollars into gold.

In the three-year period from 1958 through 1960, however, the deficits became sizable, and almost half the dollar claims were used to buy gold from the U. S. Treasury, depleting our gold stocks by several billion dollars.

In 1960 our balance of payments problem became acute. Both foreigners and Americans transferred large sums of money -- usually by shifting bank accounts -- out of the United States to Europe to take account of higher interest rates.

Europe was in the midst of a boom, and interest rates there had gone up, while a slack period in the United States had depressed rates. Added to this was speculation in international money markets that the dollar would be devalued by raising the price of gold.

During that period the United States lost gold -- $1.7 billion of it in 1960 and another $325 million in January of 1961. This reflected a move by many foreign dollar holders to get out of dollars.

One of President Kennedy's first acts was to issue a firm commitment not to devalue the dollar. At the same time, a broad range of measures to reduce the deficit was announced. These included dozens of separate orders designed to minimize dollar outflow resulting from aid and defense expenditures and procurement abroad, from spending by troops, officials and dependents abroad, and from other means. In addition, shipment of goods in American vessels was emphasized. The amount of goods that American tourists could bring back to the United States duty-free was reduced, and a special travel agency was created to encourage foreign tourists to visit the United States. The combination of the pledge not to devalue, together with actual and proposed measures by the President, the Congress and the government as a whole, ended the speculation against the dollar. The deficit in 1961 was considerably lower than it was the year before, and the gold loss was sharply reduced. This improvement also, of course, was the result of a new air of international cooperation, and a number of other measures that grew from that.

We have, then, had a persistent deficit in our balance of payments. Such deficits must be eventually eliminated if we are to end the steady drain on our gold reserves.

Our balance of payments deficits in the last four years have totaled about $13.5 billion, and have created a drain on our gold reserves during that time of almost six billion dollars.

During this period reserves of most other developed countries of the free world -- particularly Western Europe and Japan -- increased, and in large part the surpluses of those countries were the counterpart of our deficits.

Reducing our deficit requires cooperation from the surplus countries, and it is to their interest to cooperate, because the dollar -- as the major reserve currency of the free world -- is the cornerstone of the whole international payments system. Their cooperation has increased markedly in the last year, and we expect it will continue.

Let's take a closer look at last year's developments. We look at our deficit as being divided into two parts. First of all, there is what we call the basic deficit; that is the net balance on our trade and services, foreign aid, military expenditures, and long-term investment. The second part is the short-term capital outflow from the United States.

In 1961 our short-term capital outflow was only slightly less than the year before -- $1.8 billion compared to $2 billion. The bulk of this outflow of U. S. capital, however, did not reflect movements of funds abroad for speculative reasons. The bulk of the outflow represented an increase in financing of foreign trade by the U. S. banking system. Commercial loans to Japan alone amounted to more than 40 per cent of our total recorded short-term outflow. At the same time as this outflow of U. S. short-term capital was occuring there was also an inflow of about $750 million in foreign private short-term capital into the U. S. -- in sharp contrast to our experience of 1960.

This demonstration of world-wide confidence in the dollar was reflected even in the fourth quarter of the year, when our overall deficit was relatively large. Despite the operations by certain foreign commercial banks -- which converted a large share of their dollar holdings into their own national currencies in order to dress up their final balance sheet of the year -- private dollar holdings continued to rise. These "window-dressing" operations were reversed very early in 1961, thereby swelling foreign private holdings of dollars once more.

In contrast to 1960, there was no rush to get out of dollars and into gold. In the last 11 months of 1961, our gold outflow amounted to a little over $500 million, about one-fifth of our overall deficit for that period, and only a quarter of the gold outflow for the previous 11 months. In addition, we increased our own holdings of convertible foreign currencies -- which can be viewed as a substitute for gold holdings in our new convertible world -- by $116 million.

Disruptive short-term capital flows did not pose a major problem for the United States in 1961 as a whole. But this country remains vulnerable to such sudden shifts in funds. U. S. residents increasingly are willing to move short-term funds abroad as foreign currencies strengthen and our tax structure provides an additional inducement for such movements. In addition, rapid flows of money can follow changes in relative interest rates here and abroad or be created by expectations of change in international currency values.

We are therefore constantly pressing forward with efforts to insure that any large short-term capital flows -- if they should develop -- can be controlled, partly through our own efforts, and

partly through measures of international cooperation. During 1961 we took a number of steps to neutralize such flows. These included measures to keep short-term interest rates in the U. S. from declining to the exceptionally low levels that prevailed in earlier periods of business recession in this country.

Chief among such measures was a coordinated effort by the Treasury and the Federal Reserve System which has been called "Operation Nudge." This involved the intent of the Treasury, in issuing Government securities, and the Federal Reserve, in buying and selling such securities, to avoid undue reduction of short-term interest rates, while at the same time not encouraging a sharp rise in long-term rates. The intention was to prevent a sudden outflow of short-term capital which might result from a sudden drop in rates compared to rates available abroad, and at the same time maintain a sufficient flow of long-term funds for domestic investment needed to spur economic recovery. Our effort, I am happy to say, was quite successful. This joint Federal Reserve-Treasury effort was supplemented by Federal Reserve action increasing the legal limit that our banks can pay on time deposits.

On the international side, ten industrial nations, including the U. S., agreed to provide standby resources of $6 billion to the International Monetary Fund -- resources which will greatly augment the IMF's ability to finance borrowing through which major industrial countries can finance temporary deficits that may tend to undermine the structure of our payments mechanism. Besides that, the results of our consultation with other nations through the Organization for Economic Cooperation and Development have greatly exceeded our expectations. In addition, consultation among U. S. officials and foreign central banks at the meeting of the Bank for International Settlements at Basle has also contributed to the timely interchange of information and views. Finally, beginning in March of 1961, the Treasury has undertaken modest pilot operations in the exchange market with a view to moderating any unsettling currency flows. Our ability to operation in the exchange market has recently been greatly strengthened by the decision of the Federal Reserve System to undertake operations on its own account.

We are also taking measures to reduce the other part of our deficit -- the basic deficit.

At present only about one-third of our foreign aid expenditures affects our balance of payments. The other two-thirds involves exports of goods and services from this country rather than dollars. We are trying to reduce this dollar outflow fraction of aid still further, and we hope to get it down to one-fifth.

As for the impact of overseas defense spending, agreement has been reached with West Germany that that country will substantially increase its purchases of military goods and services from the U. S. We hope that through sales of military equipment and services to West Germany and other countries the net impact of our overseas defense costs will be reduced by about one-third during 1962.

The year 1961, then, saw some improvement in our balance of payments. The basic deficit was cut to a third -- from $1.9 billion to $600 million; the gold outflow was cut in half -- from $1.7 billion to $857 million; and our overall deficit was cut to two-thirds -- from $3.9 billion to $2.4 billion.

The most important factor, however, in the long-term outlook for our balance of payments is our ability to increase our commercial trade surplus. If we can increase our exports of goods and services over our imports to a sufficient level, we can wipe out the deficit entirely, and even bring about a surplus to bring gold back to the United States.

This will not be easy, however, and it will not come about overnight. It will take both time and effort.

A number of measures are important to export expansion. I will mention only three.

The first is the new export credit insurance system set up with 57 private insurance companies by the Export-Import Bank which, as you know, is a U. S. Government agency. This newly-formed Foreign Credit Insurance Association will insure exporters against both commercial and political risks, and puts them on a comparable footing with their foreign competitors who have had such protection for years.

The second measure is designed to increase private investment in productive machinery and equipment, to increase our manufacturers' productive efficiency and help lower their unit cost, to make them more competitive. This involves the 8 per cent investment tax credit proposal now before Congress, as well as the Treasury's program of depreciation reform, which is bringing depreciation guidelines for tax purposes in line with technological advances.

These two tax measures -- which will, at the outset, cost between two and three billion dollars in tax revenues, according to preliminary estimates -- will provide a broad, long-range stimulus to private investment, which we hope will soon begin to show itself in more modern equipment. The stimulus will also, rather quickly, generate additional economic activity at home, which will, among its other beneficial results, create additional tax revenues. Foreign manufacturers have been modernizing much more rapidly than those in the United States, and stimulus to investment is urgently needed to assure that American companies can compete on comparable terms.

We feel that these export promotion measures will begin to show themselves sometime this year, although they will probably not have a significant effect until next year, and it may take another year or more for their full impact to be felt.

The third measure to promote an increased level of exports is President Kennedy's trade program, which is now before the Congress. Unless this is approved, the President will not have adequate authority to achieve significant mutual tariff reduction between the United States and the Common Market.

This authority is needed if we are to expand exports, because as the barriers to trade inside Western Europe fall, the effect, in some cases, is to raise the outer wall, American manufacturers, then, will have increasing difficulty in competing in Europe. The trade program, then, is a must if we are to expand exports and solve our balance of payments problem.

In summary, I would like to leave you with this view of the balance of payments problem: while it is serious, and certainly nothing to be ignored, it is far from the whole story of our international economic position.

It is, for instance, only an account of our international dealings over a brief period. When we take long-range claims into account, we find that our position is quite different. Without considering long-term claims, for instance, we find that our balance of payments deficits for the three-year period 1958 through 1960 totaled $11 billion -- of which $5 billion represented gold losses.

When we include long-term claims in this accounting, however, we find our net loss position was not $11 billion, but only $3.5 billion.

To be sure, these long-term claims are not liquid -- we cannot necessarily convert them immediately into usable assets. They should not, however, be written off.

Actually, in the past 10 years, our long-term claims against foreigners, as compared to their long-term claims against us, have doubled, and our claims now exceed theirs by some $27 billion.

It should also never be forgotten that our economic position in the world is not reflected in a balance sheet, but in the hopes and accomplishments of free people. We spend money abroad for defense, for foreign aid, and for investment, and while we do everything we can to reduce or offset the balance of payments impact of such spending, we should never believe that we would be performing constructive action by cutting aid or defense below adequate levels.

We must make every effort to expand our exports, in order to wipe out our deficit and stem the gold drain, but we must not be blinded by this need to our other responsibilities.

Principal among these are the defense and development of the free world. How well we meet those responsibilities will determine whether our future will see the free nations of the world as a strong, thriving and cooperative group, or as a motley collection of developed and undeveloped lands, bound together less by trust or mutual interest than by a common threat to their security. That is why the President's trade program is so important -- it offers an opportunity to expand exports, and at the same time draw ALL free nations politically and economically closer through trade.

The balance of payments problem is one which will have to be solved if we are to achieve our goal of a strong and prosperous free world, but it is only part of our program. The other parts -- such as our aid program for our fellow members of the Alliance for Progress in Latin America -- are also important. We must not only make every effort to bring our international payments into balance -- but we must also remember that a prime reason for this effort is to enable us as the leader of the free world to continue to help its peoples to a better way of life. That is our major responsibility.

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counts the promotion of economic growth as an objective along with the goals of improved tax equity and reduced complexity. The President's proposal for standby authority for temporary tax reduction provides a procedure by which tax policy can move swiftly in a faltering economy to turn us back toward full employment. In sum, a nation dedicated to economic growth can readily find in tax policy a strong and flexible tool to that end.

Other provisions of the bill, in a few specialized areas, seek to achieve a more efficient allocation of resources and greater equity by eliminating tax differentials among competing businesses. These areas concern thrift institutions, the mutual casualty insurance companies, and the cooperatives. Further, any corrective action in the field of entertainment expenses and the like which will swing the pendulum away from the froth and excesses that the present tax rules encourage must surely be beneficial even if its sole result is improved taxpayer morale -- and tax morality.

In closing, I would like to observe that the relationship between tax policy and economic growth is an ever continuing one. We must be alert to see that tax policy provides a firm foundation for growth. The pending tax bill, with its emphasis on stimulating economic growth through the investment credit accompanied by administrative depreciation revision, will permit tax policy to make a significant contribution to growth. The basic tax reform which the President has said he will submit later this year, and which involves a combined re-examination of the income tax base and the existing rate schedules,

deduction incentive. In short, these and similar observations apply to any incentive to investment, and are not peculiar to the investment credit. This is, of course, also the case with respect to the curious point of view that no incentive will be effective since investment decisions are made by guess and by hunch, without any regard for profit calculations, rates of return, or the like.

I have dwelled on the investment credit at considerable length because it is the cornerstone of the pending tax bill, and is the most significant of the contributions which that bill makes to economic growth. But the bill also contains other provisions which work in the same direction. Thus, the entire thrust of the foreign income provisions is to remove tax inducements to investment abroad as against investment at home. The goal here is to use our tax system to strengthen the economy of the United States and to produce a geographically efficient allocation of resources. That portion of investment abroad which is tax induced provides benefits to a few at the expense of accelerated growth here at home.

It might be added that the suggestion that book depreciation be used to determine tax depreciation has a far greater potential for distortion than any of the other incentive proposals discussed.

This set of comparisons indicates that the investment credit out-performs on all counts commonly advocated incentive depreciation devices. Of course, there are some things neither vastly speeded-up depreciation nor the credit will do. It seldom has been realized, however, that criticisms aimed at the investment credit equally apply to the other suggested incentives. Thus, it is said that since the credit covers only acquisitions in this year or hereafter, it does not apply to the taxpayer who undertook an investment program a year or so ago. But the suggested depreciation deduction incentives also apply only to future acquisitions, as did the 1954 Code accelerated depreciation methods. It is also said that the investment credit will not immediately increase investments. Time is required for management decisions and planning, so that the year 1962 will not reflect the full effect of the credit. Again, this is equally true of any depreciation

from 5.6 percent to 6.1 percent as compared with 7.9 percent for the credit -- would cost $500 million more than the credit in the first year. A 20 percent increase in the annual depreciation deduction -- which likewise only gives a profitability figure of 6.1 percent -- will over a 10-year period cost almost as much revenue as the credit. Each dollar of revenue lost under these depreciation deduction incentive devices thus buys less incentive to new investment than does the credit.

Some proponents of these depreciation deduction speed-ups have failed to point out that they cost the Government substantial revenue. The growth of investment in successive years ensures that the speeded-up depreciation deductions will always exceed the deduction normally allowable, and initial revenue losses are never recouped.

Effect on Prices.--A further advantage of the investment credit lies in the fact that it does not distort operating costs. On the other hand, for taxpayers who keep their tax returns and business books on the same basis, an investment incentive by way of a depreciation deduction device -- giving write-offs faster than realistic depreciation -- leads to increased book operating costs that will inevitably affect prices, wages, and business financing.

15-year asset, an 83 percent write-off for a 10-year asset -- while exerting a stronger effect on profitability. In brief, the credit is far more powerful as a stimulus or incentive than most of the depreciation deduction incentives that have been suggested.

Furthermore, the full impact of the investment credit is felt at the time new equipment is purchased. These incentive depreciation deductions, however, which involve an unrealistic shortening of depreciable lives have an effect, particularly on cash flow, which is spread out over a number of years. This adds an additional argument in favor of the credit.

Revenue Cost.--When we look at the comparable revenue costs of various devices, we find that the incentive effectiveness of the credit is obtained at far smaller revenue cost to the Government than incentive depreciation deduction devices. The revenue cost of a 40 percent initial allowance would be nearly three times as great in the first year and 2-1/4 times as great in the first five years. Even the cost of a 20 percent first-year allowance -- which would only increase the rate of return on a 10-year asset

think is clear. We must remember that the Treasury's program of depreciation reform covers both the investment incentive and realistic depreciation guidelines. Hence the suggested incentives involving only the depreciation deduction as an alternative to the credit must go beyond realistic depreciation. They include such suggestions as an arbitrary increase in the first year's depreciation deduction, or five-year amortization for all assets, an arbitrary percentage shortening of the lives under Treasury guidelines, or an arbitrary increase in the annual depreciation deduction. Here are some yardsticks to measure the investment credit against these depreciation deduction incentives:

Effectiveness.--For both a 10-year and a 15-year asset the credit is worth more -- in terms of the present value of the tax benefits involved -- than a 40 percent initial depreciation write-off in the first year. For both a 10-year and a 15-year asset the credit is equivalent to more than a 40 percent reduction in the depreciable life. The credit is also clearly superior, taking a 15-year asset, to a 20 percent increase in the annual depreciation deduction otherwise allowable -- in fact it is close to a 90 percent increase. Compared to a five-year write-off, a combination of the credit and double declining balance depreciation achieves

productive capacity and the efficiency with which our economy can use its resources. This means higher incomes, better products, and an improvement in our competitive position abroad.

It must be remembered that the investment credit is not designed as an anti-recession device. The Administration since its inception has contantly employed fiscal and other measures to stimulate recovery and full utilization of capacity. Nevertheless, the investment credit will strengthen the present recovery. It will stimulate expenditures on investment which, in turn, generate demand for consumer goods. Both direct and indirect effects of the credit will lead to more employment and fuller utilization of our industrial capacity. The investment credit will thus strengthen the present recovery and accelerate growth at full employment.

One final question remains: Given the importance of increased investment to achieve economic growth and a tax change which will favorably affect investment, why use the investment credit rather than an incentive built directly into the depreciation deduction? The answer we

to invest. One other interesting comparison is at hand, a comparison that should intrigue those who lean to monetary inducements and a lower rate of interest as a primary investment stimulus. The 8 percent investment credit reduces the gross financing costs of a 10-year asset as much as would a reduction of interest rates from 5 percent to 3 percent; for a 15-year asset, from 5 percent to 3-2/3 percent. Yet the credit does not entail the balance of payments difficulties that changes in interest rates could involve.

I gather that some might say that the credit is, of course, effective, but why use it now when there is still slack in the economy? The fact that the investment credit was suggested at a time when we were in a recession period and the fact that it is being adopted in a period of recovery does not mean that it is to be regarded as a counter-cyclical tool. Rather, it is intended to be a permanent part of our basic tax law. The major impact of the credit will be felt as we move along in our recovery to full employment and increased growth thereafter. By stimulating investment the credit will increase both our

(5 percent on straight line depreciation, and 11.7 percent before tax), the rate after the credit will be 7.3 percent, or a 30 percent increase in profitability. For a 10-year asset, the rate of return increases from 5.6 percent to 7.9 percent -- an increase of 40 percent.

Flow of Funds.--The credit immediately makes available to business -- and agriculture -- an additional flow of funds available for investment. For 1962 the Treasury estimates the flow will be about $1.5 billion excluding utilities, or about 10 percent of the tax reduction afforded by existing depreciation allowances. Moreover, the flow will increase as investment increases. Historical evidence indicates that such funds, which become available with each new investment, will rapidly find their way into still further investment.

Tax Rates.--The credit achieves the same effect on after-tax profits as a reduction of the corporate rate from 52 percent to 36 percent for a 15-year asset, or a reduction to 31 percent for a 10-year asset.

Thus, the investment credit has a favorable impact on each of the factors which people may use in their decisions

recouped by the taxpayer. Thus, for a 15-year asset, the credit, combined with the deduction for depreciation, permits nearly 30 percent of the cost of the asset to be recovered in the first year, 41 percent in two years, and 67 percent in five years; for a 10-year asset, the figures are 36 percent, 52 percent, and 83 percent.

Comparability with Western Europe.--The investment credit, coupled with realistic depreciable lives, will make the tax treatment of investment in the United States comparable with that offered by our major competitors in Western Europe, Canada and Japan. The investment credit thus takes its place along with the variety of Western European devices -- such as the incentive allowances afforded in addition to depreciation in the United Kingdom, Belgium and the Netherlands, or the first-year additional depreciation allowances permitted in the United Kingdom, France, Italy and the Netherlands.

Profitability of an Investment.--The credit will significantly increase the profitability of investment. Thus, if the present after-tax rate of return on a 15-year investment under double declining balance is 5.6 percent

under the proposal a credit against tax would be allowed of 8 percent of the amount of an eligible investment. Eligible investments cover machinery and equipment and other depreciable property short of buildings. If the life of the asset is 4 or 5 years, one-third of the cost of the asset is eligible; if it is 6 or 7 years, two-thirds is eligible. Assets with lives of 8 years or more are fully eligible. Used assets are eligible up to $50,000. Regulated public utilities receive a 4 percent credit. The credit may offset $100,000 of tax liability, plus 50 percent of the tax liability in excess of $100,000, with a five-year carryforward of unused credit. The credit is independent of the depreciation deduction, so that depreciation for the full cost of the asset may be obtained.

We believe that this credit will be a powerful stimulus to investment in machinery and equipment in the United States. Its significance may be measured by a variety of yardsticks:

Pay-Out Period.--The investment credit materially shortens the period over which the investment will be

percentage for the United States, starting with the Bulletin F weighted average of 19 years for depreciable lives and going down thru lives of 15 years on to 10 years. At no one of these levels would depreciation charges in the United States be comparable to those allowed abroad. In short, realistic lives alone will not achieve for the United States the tax treatment for investment which is characteristic of European tax systems. The reason lies in the simple fact that the Europeans have built into their depreciation structures a variety of incentive features which go beyond realistic depreciation. If we are to achieve comparable tax treatment for productive equipment -- a comparability that will be very meaningful in a world of increased international competition and freer trade -- and if we are to move on under our tax system to the modernizing and deepening of our own capital equipment, we must provide an over-all treatment that includes some allowance or incentive in addition to realistic depreciation.

The Administration and the House Ways and Means Committee propose to do this through an investment credit. In brief,

this administrative action -- though they do not fully reflect the simplification in administration that we believe can be achieved. It has been said by some that the textile action accomplished only token change, since the industry had already been using lives shorter than those found in Bulletin F. It is true that some concerns were already using lives comparable to the new guidelines and, indeed, some are using still shorter lives. But it is equally true that considerably more than half of the industry were using longer lives than our new guidelines. The revision thus had a significant effect, which the textile industry readily acknowledged.

The Treasury will complete its administrative revision of guidelines this spring. Why not stop depreciation reform there? The answer lies in an interesting table submitted by Secretary Dillon to the Joint Committee on Internal Revenue Taxation -- a table which has three comparisons. It first gives for the Western European countries, and Canada and Japan, the percentage of the cost of industrial equipment which can be recovered over the first five years of the investment. It then shows the

possible, the guidelines should be based upon a classified or system approach to asset lives in each of the various industries, rather than the elaborate detailing of item after item which is the approach of most of Bulletin F. Yet rigidity must be avoided, so that all industries and all taxpayers within an industry are not imprisoned in a single mold. It is appropriate to have basic standards to guide both taxpayers and the Internal Revenue Service, so that the depreciation deduction can be utilized and administered with minimum difficulty or controversy. But flexibility must be preserved for the taxpayer who is replacing his assets even more rapidly than the guideline lives suggest. And the guideline lives themselves must be kept under continuous examination as the pace and character of technological advance changes.

The Treasury Department is now shaping its new depreciation guidelines and administrative policies. It is only in recent months that we have been able to obtain from various studies the data needed for responsible decision. The changes in the textile industry, reducing Bulletin F lives by some 40 percent, were a forerunner of

economists have done, and both have reached the same conclusion -- that there is a close correlation between growth ratios and the ratio of investment to GNP and, accordingly, that our tax policy should aim at increasing the pace of investment in productive equipment.

Our tax policy seeks that result through "depreciation reform". I use the phrase "depreciation reform" to describe the proposed changes in the treatment which the income tax accords to capital investment.

One part of that reform is an administrative revision of the guideline lives applicable to the determination of the deduction for depreciation. That deduction is designed to achieve a proper measure of net income over the life of an asset. To do so, the deduction must be realistic. For depreciation to be realistic, the guideline lives must be realistic, which in the world of today means that these lives must constantly take account of a rapidly moving technology and the resulting increase in obsolescence. These guidelines must also be effectively administered, which means a system that involves as few complications and as little controversy as possible. Wherever

Recent analyses of our nation's economic progress -- both government studies and private ones -- have paid increasing attention to the relationship between levels of investment in productive equipment and over-all economic growth. These studies have also underlined the lagging ratio in the United States of investment in productive equipment to gross national product.

Investment in machinery and equipment in this country during the decade of the 1950's was equal to about 6 percent of gross national product -- and this percentage has been steadily dropping in recent years. In West Germany, it exceeded 11 percent; in Italy and France, upwards of 8 percent. Growth rates -- in terms of gross national product -- have followed a similar pattern; barely a 3 percent annual rate of growth in GNP at constant prices for the United States during the 1950's, but more than 7 percent for West Germany, and 4 to 6 percent for a number of other major industrial countries of Western Europe. We must therefore look long and hard at our slower growth rate and our lower investment ratio, and ponder the relationship between the two. This is what government and private

private sector outweigh those of government in their relative importance to growth. Private decisions to invest and innovate, as well as private decisions to allocate resources to higher education, research, and on the job training, account for a major share of the growth this nation has enjoyed. Yet government decisions play their part -- and consequently government has its responsibilities and opportunities. Government is responsible for fiscal and monetary policies which should provide a favorable climate for growth and full employment of the nation's resources. And so again we move thru an area of basic agreement in this country, that of the vital role of fiscal and monetary policy in affecting the potential for growth of the private sector.

I have chosen today one facet of governmental action -- tax policy -- and will discuss its relevance to growth. But since tax policy encompasses so many matters, it is helpful to concentrate mainly on a point of current importance, that of the relationship of tax policy to increased investment in plant and equipment.

FOR RELEASE ON DELIVERY

REMARKS BY STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE
SOCIETY OF BUSINESS ADVISORY PROFESSIONS, INC.
IN NEW YORK CITY, MARCH 12, 1962
12 NOON

TAX POLICY AND ECONOMIC GROWTH

A fundamental goal of our economic policy is a more rapid rate of growth. This has been stated again and again -- most recently by President Kennedy in his Economic Report. Our tax policy plays a major role in the pursuit of that goal.

I take for granted that the benefits of economic growth are beyond debate. These benefits are familiar to all of you -- a higher standard of living; the creation of additional resources to meet our many domestic needs, such as urban redevelopment and the expansion of health and educational facilities; the ability to meet our defense responsibilities, our international responsibilities and the challenge of outer space.

Economic growth, of course, does not depend solely on decisions of government. Indeed, decisions made in the

TREASURY DEPARTMENT
Washington

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One part of that reform is an administrative revision of the guideline lives applicable to the determination of the deduction for depreciation. That deduction is designed to achieve a proper measure of net income over the life of an asset. To do so, the deduction must be realistic. For depreciation to be realistic, the guideline lives must be realistic, which in the world of today means that these lives must constantly take account of a rapidly moving technology and the resulting increase in obsolescence. These guidelines must also be effectively administered, which means a system that involves as few complications and as little controversy as possible. Wherever possible, the guidelines should be based upon a classified or system approach to asset lives in each of the various industries, rather than the elaborate detailing of item after item which is the approach of most of Bulletin F. Yet rigidity must be avoided, so that all industries and all taxpayers within an industry are not imprisoned in a single mold. It is appropriate to have basic standards to guide both taxpayers and the Internal Revenue Service, so that the

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The Administration and the House Ways and Means Committee propose to do this through an investment credit. In brief, under the proposal a credit against tax would be allowed of 8 percent of the amount of an eligible investment. Eligible investments cover machinery and equipment and other depreciable property short of buildings. If the life of the asset is 4 or 5 years, one-third of the cost of the asset is eligible, if it is 6 or 7 years, two-thirds is eligible. Assets with lives of 8 years or more are fully eligible. Used assets are eligible up to $50,000. Regulated public utilities receive a 4 percent credit. The credit may offset $100,000 of tax liaibility, plus 50 percent of the tax liability in excess of $100,000, with a five-year carryforward of unused credit. The credit is independent of the depreciation deduction, so that depreciation for the full cost of the asset may be obtained.

We believe that this credit will be a powerful stimulus to investment in machinery and equipment in the United States. Its significance may be measured by a variety of yardsticks:

Pay-Out Period.--The investment credit materially shortens the period over which the investment will be recouped by the taxpayer. Thus, for a 15-year asset, the credit, combined with the deduction for depreciation, permits nearly 30 percent of the cost of the asset to be recovered in the first year, 41 percent in two years, and 67 percent in five years; for a 10-year asset, the figures are 36 percent, 52 percent and 83 percent.

Comparability with Western Europe.-- The investment credit, coupled with realistic depreciable lives, will make the tax treatment of investment in the United States comparable with that offered by our major competitors in Western Europe, Canada and Japan. The investment credit thus takes its place along with the variety of Western European devices -- such as the incentive allowances afforded in addition to depreciation in the United Kingdom, Belgium and the Netherlands, or the first-year additional depreciation allowances permitted in the United Kingdom, France, Italy and the Netherlands.

Profitability of an Investment.--The credit will significantly increase the profitability of investment. Thus, if the present after-tax rate of return on a 15-year investment under double declining balance is 5.6 percent (5 percent on straight line depreciation, and 11.7 percent before tax), the rate after the credit will be 7.3 percent, or a 30 percent increase in profitability. For a 10-year asset, the rate of return increases from 5.6 percent to 7.9 percent -- an increase of 40 percent.

Flow of Funds.-- The credit immediately makes available to business -- and agriculture -- an additional flow of funds available for investment. For 1962 the Treasury estimates the flow will be about $1.5 billion excluding utilities, or about 10 percent of the tax reduction afforded by existing depreciation allowances. Moreover, the flow will increase as investment increases. Historical evidence indicates that such funds, which become available with each new investment, will rapidly find their way into still further investment.

Tax Rates.--The credit achieves the same effect on after-tax profits as a reduction of the corporate rate from 52 percent to 36 percent for a 15-year asset, or a reduction to 31 percent for a 10-year asset.

Thus, the investment credit has a favorable impact on each of the factors which people may use in their decisions to invest. One other interesting comparison is at hand, a comparison that should intrigue those who lean to monetary inducements and a lower rate of interest as a primary investment stimulus. The 8 percent investment credit reduces the gross financing costs of a 10-year asset as much as would a reduction of interest rates from 5 percent to 3 percent; for a 15-year asset, from 5 percent to 3-2/3 percent. Yet the credit does not entail the balance of payments difficulties that changes in interest rates could involve.

I gather that some might say that the credit is, of course, effective, but why use it now when there is still slack in the economy? The fact that the investment credit was suggested at a time when we were in a recession period and the fact that it is being adopted in a period of recovery does not mean that it is to be regarded as a counter-cyclical tool. Rather, it is intended to be a permanent part of our basic tax law. The major impact of the credit will be felt as we move along in our recovery to full employment and increased growth thereafter. By stimulating investment the credit will increase both our productive capacity and the efficiency with which our economy can use its resources. This means higher incomes, better products, and an improvement in our competitive position abroad.

It must be remembered that the investment credit is not designed as an anti-recession device. The Administration since its inception has constantly employed fiscal and other measures to stimulate recovery and full utilization of capacity. Nevertheless, the investment credit will strengthen the present recovery. It will stimulate expenditures on investment which, in turn, generate demand for consumer goods. Both direct and indirect effects of the credit will lead to more employment and fuller utilization of our industrial capacity. The investment credit will thus strengthen the present recovery and accelerate growth at full employment.

One final question remains: Given the importance of increased investment to achieve economic growth and a tax change which will favorably affect investment, why use the investment credit rather than an incentive built directly into the depreciation deduction? The answer we think is clear. We must remember that the Treasury's program of depreciation reform covers both the investment incentive and realistic depreciation guidelines. Hence the suggested incentives involving only the depreciation deduction as an alternative to the credit must go beyond realistic depreciation. They include such suggestions as an arbitrary increase in the first year's depreciation deduction, or five-year amortization for all assets, an arbitrary percentage shorterning of the lives under Treasury guidelines, or an arbitrary increase in the annual depreciation deduction. Here are some yardsticks to measure the investment credit against these depreciation deduction incentives:

Effectiveness.--For both a 10-year and a 15-year asset the credit is worth more -- in terms of the present value of the tax benefits involved -- than a 40 percent initial depreciation write-off in the first year. For both a 10-year and a 15-year asset the credit is equivalent to more than a 40 percent reduction in the depreciable life. The credit is also clearly superior, taking a 15-year asset, to a 20 year increase in the annual depreciation deduction otherwise allowable -- in fact it is close to a 90 percent increase. Compared to a five-year write-off, a combination of the credit and double declining balance depreciation achieves the equivalent of a 67 percent write-off in 5 years for a 15-year asset, an 83 percent write-off for a 10-year asset -- while exerting a stronger effect on profitability. In brief, the credit is far more powerful as a stimulus or incentive than most of the depreciation deduction incentives that have been suggested.

Furthermore, the full impact of the investment credit is felt at the time new equipment is purchased. These incentive depreciation deductions, however, which involve an unrealistic shortening of depreciable lives have an effect, particularly on cash flow, which is spread out over a number of years. This adds an additional argument in favor of the credit.

Revenue Cost.--When we look at the comparable revenue costs of various devices, we find that the incentive effectiveness of the credit is obtained at far smaller revenue cost to the Government than incentive depreciation deduction devices. The revenue cost of a 40 percent initial allowance would be nearly three times as great in the first year and 2-1/4 times as great in the first five years. Even the cost of a 20 percent first-year allowance -- which would only increase the rate of return on a 10-year asset from 5.6 percent to 6.1 percent as compared

with 7.9 percent for the credit -- would cost $500 million more than the credit in the first year. A 20 percent increase in the annual depreciation deduction -- which likewise only gives a profitability figure of 6.1 percent -- will over a 10-year period cost almost as much revenue as the credit. Each dollar of revenue lost under these depreciation deduction incentive devices thus buys less incentive to new investment than does the credit.

Some proponents of these depreciation deduction speed-ups have failed to point out that they cost the Government substantial revenue. The growth of investment in successive years ensures that the speeded-up depreciation deductions will always exceed the deduction normally allowable, and initial revenue losses are never recouped.

Effect on Prices.--A further advantage of the investment credit lies in the fact that it does not distort operating costs. On the other hand, for taxpayers who keep their tax returns and business books on the same basis, an investment incentive by way of a depreciation deduction device -- giving write-offs faster than realistic depreciation -- leads to increased book operating costs that will inevitably affect prices, wages, and business financing. It might be added that the suggestion that book depreciation be used to determine tax depreciation has a far greater potential for distortion than any of the other incentive proposals discussed.

This set of comparisons indicates that the investment credit out-performs on all counts commonly advocated incentive depreciation devices. Of course, there are some things neither vastly speeded-up depreciation nor the credit will do. It seldom has been realized, however, that criticisms aimed at the investment credit equally apply to the other suggested incentives. Thus, it is said that since the credit covers only acquisitions in this year or hereafter, it does not apply to the taxpayer who undertook an investment program a year or so ago. But the suggested depreciation deduction incentives also apply only to future acquisitions, as did the 1954 Code accelerated depreciation methods. It is also said that the investment credit will not immediately increase investments. Time is required for management decisions and planning, so that the year 1962 will not reflect the full effect of the credit. Again, this is equally true of any depreciation deduction incentive. In short, these and similar observations apply to any incentive to investment, and are not peculiar to the investment credit. This is, of course, also the case with respect to the curious point of view that no incentive will be effective since investment decisions are made by guess and by hunch, without any regard for profit calculations, rates of return, or the like.

I have dwelled on the investment credit at considerable length because it is the cornerstone of the pending tax bill, and is the most significant of the contributions which that bill makes to economic growth. But the bill also contains other provisions which work in the same direction. Thus, the entire thrust of the foreign income provisions is to remove tax inducements to investment abroad as against investment at home. The goal here is to use our tax system to strengthen the economy of the United States and to produce a geographically efficient allocation of resources. That portion of investment abroad which is tax induced provides benefits to a few at the expense of accelerated growth here at home.

Other provisions of the bill, in a few specialized areas, seek to achieve a more efficient allocation of resources and greater equity by eliminating tax differentials among competing businesses. These areas concern thrift institutions, the mutual casualty insurance companies, and the cooperatives. Further, any corrective action in the field of entertainment expenses and the like which will swing the pendulum away from the froth and excesses that the present tax rules encourage must surely be beneficial even if its sole result is improved taxpayer morale -- and tax morality.

In closing, I would like to observe that the relationship between tax policy and economic growth is an ever continuing one. We must be alert to see that tax policy provides a firm foundation for growth. The pending tax bill, with its emphasis on stimulating economic growth through the investment credit accompanied by administrative depreciation revision, will permit tax policy to make a significant contribution to growth. The basic tax reform which the President has said he will submit later this year, and which involves a combined re-examination of the income tax base and the existing rate schedules, counts the promotion of economic growth as an objective along with the goals of improved tax equity and reduced complexity. The President's proposal for standby authority for temporary tax reduction provides a procedure by which tax policy can move swiftly in a faltering economy to turn us back toward full employment. In sum, a nation dedicated to economic growth can readily find in tax policy a strong and flexible tool to that end.

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March 12, 1962

FOR RELEASE A. M. NEWSPAPERS, Tuesday, March 13, 1962.

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 December 14, 1961, and the other series to be dated March 15, 1962, which were offered on March 7, were opened at the Federal Reserve Banks on March 12. Tenders were invited for $1,200,000,000, 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 June 14, 1962		182-day Treasury bills maturing September 13, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.295 a/	2.789%	98.504 b/	2.959%
Low	99.289	2.813%	98.494	2.979%
Average	99.291	2.804% 1/	98.498	2.972% 1/

a/ Excepting 2 tenders totaling $125,000; b/ Excepting 1 tender of $1,000,000.
71 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	$ 34,111,000	$ 12,794,000	$ 13,028,000	$ 7,028,000
New York	2,062,700,000	775,576,000	929,311,000	476,241,000
Philadelphia	31,326,000	14,232,000	9,118,000	4,068,000
Cleveland	55,486,000	28,706,000	19,964,000	14,164,000
Richmond	11,157,000	11,157,000	2,175,000	2,175,000
Atlanta	37,594,000	23,095,000	9,444,000	9,444,000
Chicago	260,770,000	175,892,000	116,983,000	41,290,000
St. Louis	29,533,000	20,533,000	6,114,000	3,614,000
Minneapolis	20,971,000	13,681,000	5,402,000	3,622,000
Kansas City	25,794,000	20,594,000	8,167,000	7,882,000
Dallas	18,872,000	13,872,000	9,235,000	5,075,000
San Francisco	127,129,000	90,223,000	35,579,000	25,659,000
TOTALS	$2,715,443,000	$1,200,355,000 c/	$1,164,520,000	$600,262,000 d/

c/ Includes $221,142,000 noncompetitive tenders accepted at the average price of 99.291
d/ Includes $52,595,000 noncompetitive tenders accepted at the average price of 98.498
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.86%, for the 91-day bills, and 3.06%, 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

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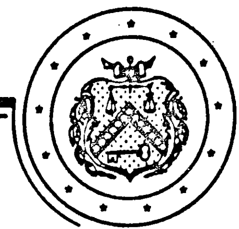

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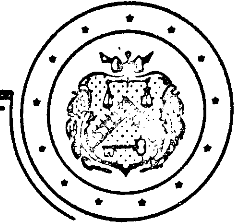
TREASURY DEPARTMENT



WASHINGTON, D.C.

IMMEDIATE RELEASE March 12, 1962

SUPPLEMENTAL REPORT OF SUBSCRIPTIONS FOR LATEST ADVANCE REFUNDING

The Treasury Department today announced a breakdown of the securities exchanged for the new bonds offered in the Department's latest refunding offer, together with total amounts of subscriptions received as of the close of business, Friday, March 9.

Subscriptions showing the amount of issues exchanged for the new bonds offered are as follows (in millions of dollars):

Bonds to be exchanged	Bonds issued in exchange				Total Exchanged
	4% of 1971	4% of 1980	3½% of 1990	3½% of 1998	
3% bonds of 1964	$1,154.1	-	-	-	$1,154.1
2-5/8% bonds of 1965	1,650.3	$560.9	-	-	2,211.2
2-1/2% bonds of 6/15/72	-	-	$232.8	$180.5	413.3
2-1/2% bonds of 9/15/72	-	-	344.5	419.6	764.1
2-1/2% bonds of 12/15/72	-	-	321.8	332.7	654.5
Total	$2,804.4	$560.9	$899.1	$932.8	$5,197.2

These figures reflect an increase of $123 million over the subscriptions announced by the Treasury on March 2. There is attached a table showing an analysis of subscriptions by investor classes.

D-419

SUMMARY OF AMOUNT AND NUMBER OF SUBSCRIPTIONS RECEIVED
FEBRUARY 1962 ADVANCE REFUNDING
AS OF MARCH 9, 1962

	4% Bonds of 1971		4% Bonds of 1980		3½% Bonds of 1990		3½% Bonds of 1998		TOTAL	
	Amount	No. Sub.	Amount	No. Sub.	Amount	No. Sub.	Amount	No. Sub.	Amount	No. Sub.
Individuals 1/	$117,255,000	6,177	$35,782,000	518	$82,014,000	6,384	$132,403,000	5,640	$367,454,000	18,719
Commercial Banks (Own account)	1,590,821,500	5,389	115,531,500	267	93,558,000	576	77,698,500	233	1,877,609,500	6,465
All Others 2/	710,868,500	3,396	232,698,000	442	505,750,500	2,263	502,146,500	1,408	1,951,463,500	7,509
Totals	2,418,945,000	14,962	384,011,500	1,227	681,322,500	9,223	712,248,000	7,281	4,196,527,000	32,693
Govt. Investmt. Accts.	385,429,000		176,869,000		217,815,000		220,569,500		1,000,682,500	
Grand Totals	2,804,374,000		560,880,500		899,137,500		932,817,500		5,197,209,500	

1/ Includes partnerships and personal trust accounts

2/ Includes insurance companies, mutual savings banks, corporations exclusive of commercial banks, private pension and retirement funds, pension, retirement and other funds of State and local governments, and dealers and brokers.

STATUTORY DEBT LIMITATION

As of February 28, 1962

Washington, March 13, 1962

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	$44,245,648,000		
Certificates of indebtedness	12,375,492,000		
Treasury notes	64,400,051,000	$121,021,191,000	
Bonds -			
Treasury	76,587,812,250		
*Savings (current redemption value)	47,549,363,157		
Depositary	145,776,500		
R. E. A. series	23,978,000		
Investment series	4,972,037,000	129,278,966,907	
Certificates of Indebtedness -			
Foreign series	450,000,000		
Foreign Currency series	48,128,250	498,128,250	
Special Funds -			
Certificates of indebtedness	6,367,820,000		
Treasury notes	6,646,907,000		
Treasury bonds	29,736,432,000	42,751,159,000	
Total interest-bearing		293,549,445,157	
Matured, interest-ceased		392,765,957	
Bearing no interest:			
United States Savings Stamps	51,930,660		
Excess profits tax refund bonds	737,272		
Special notes of the United States:			
Internat'l Monetary Fund series	2,411,000,000		
Internat'l Develop. Ass'n. series	115,304,400		
Inter-American Develop. Bank series	25,000,000	2,603,972,332	
Total		296,546,183,446	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	369,353,200		
Matured, interest-ceased	1,777,200	371,130,400	
Grand total outstanding			296,917,313,84
Balance face amount of obligations issuable under above authority			1,082,686,15

Reconcilement with Statement of the Public Debt February 28, 1962
(Date)

(Daily Statement of the United States Treasury, February 28, 1962)
(Date)

Outstanding -	
Total gross public debt	296,983,221,34
Guaranteed obligations not owned by the Treasury	371,130,40
Total gross public debt and guaranteed obligations	297,354,351,74
Deduct - other outstanding public debt obligations not subject to debt limitation	437,037,90
	296,917,313,84

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STATUTORY DEBT LIMITATION

As of February 28, 1962

Washington, March 13, 1962

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.

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Treasury notes	64,400,051,000	$121,021,191,000	
Bonds -			
Treasury	76,587,812,250		
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Inter-American Develop. Bank series	25,000,000	2,603,972,332	
Total		296,546,183,446	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	369,353,200		
Matured, interest-ceased	1,777,200	371,130,400	
Grand total outstanding			296,917,313,846
Balance face amount of obligations issuable under above authority			1,082,686,154

Reconcilement with Statement of the Public Debt February 28, 1962
(Date)

(Daily Statement of the United States Treasury, February 28, 1962)
(Date)

Outstanding -	
Total gross public debt	296,983,221,348
Guaranteed obligations not owned by the Treasury	371,130,400
Total gross public debt and guaranteed obligations	297,354,351,748
Deduct - other outstanding public debt obligations not subject to debt limitation	437,037,902
	296,917,313,846

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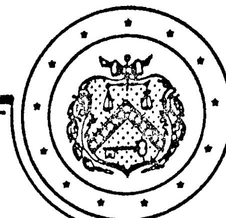
TREASURY DEPARTMENT



WASHINGTON, D.C.
March 13, 1962

FOR IMMEDIATE RELEASE

The Treasury Department, by this public notice, invites tenders for $1,800,000,000, or thereabouts, of 182-day Treasury bills, for cash and in exchange for Treasury Tax Anticipation Series bills maturing March 23, 1962, in the amount of $3,502,886,000. The bills will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated March 23, 1962, and they will mature September 21, 1962. They will be accepted at face value in payment of income and profits taxes due on September 15, 1962, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of September 15, 1962, income and profits taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before September 15, 1962, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before September 15, 1962, to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Tuesday, March 20, 1962. 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 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 March 23, 1962, in cash or other immediately available funds or in a like face amount of Tax Anticipation Series bills maturing on March 23, 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.

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

He progressively served in the Bureau of the Budget, the Air Force, Veterans Administration, and the Atomic Energy Commission, until he joined Internal Revenue in 1953, as Assistant to the Deputy Commissioner.

Since then, he has been Assistant Director of the Collection Division, and Assistant Commissioner for Planning and Research. He now holds the position of Deputy Commissioner of Internal Revenue.

His achievements with Internal Revenue include the development of simplified methods for taxpayers to comply with all Federal tax obligations. He also reorganized tax collection methods and stimulated the use of automatic data processing to speed handling of tax returns.

Bert, it gives me great pride to witness this presentation on behalf of the National Civil Service League.

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FOR RELEASE AT 6:30 P.M., EST.
TUESDAY, MARCH 13, 1962

REMARKS BY DOUGLAS DILLON, SECRETARY OF THE TREASURY,
AT THE EIGHTH ANNUAL BANQUET OF
THE NATIONAL CIVIL SERVICE LEAGUE,
AT THE SHERATON-PARK HOTEL, WASHINGTON, D. C.
TUESDAY, MARCH 13, 1962, 7:00 P. M.

I am happy to join in honoring the recipients of the Career Service Awards of the National Civil Service League for two reasons:

First, I am pleased that the National Civil Service League awards this much-needed recognition to public servants for unusual competence, character and accomplishments demonstrating the high principles of the entire Civil Service system.

Second, I am delighted that one of my associates in the largest agency within Treasury, the Internal Revenue Service, has been selected to receive one of these much desired awards. It is the first time the Internal Revenue has been so honored.

In nominating Bert Harding for this year's Career Service Award, Commissioner Mortimer M. Caplin of Internal Revenue said that his record has been "spectacular." I second that statement.

In less than 20 years, Bert Harding has progressed from the bottom to the top of the Civil Service career ladder.

Bert began his government career as a messenger with the U. S. Employment Service in 1939, immediately after graduation from Antioch College.

TREASURY DEPARTMENT
Washington

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Statement of the Honorable Douglas Dillon
Secretary of the Treasury
before the
Senate Finance Committee
on
DEBT MANAGEMENT POLICIES
Wednesday, March 14, 1962 - 10:00 a.m.

I welcome the opportunity to discuss with this distinguished Committee the Treasury's debt management policies and, in particular, our use of advance refunding as a tool in achieving our debt management objectives.

The management of the debt is one of the major financial responsibilities of the Federal Government and it is, in addition, an important arm of economic policy-making. If the Federal debt were small, we could afford to manage it much like the treasurer of a corporation manages his company's debt, without giving much thought to the impact of our operations on the money markets and the economy. This is not, however, the case. The magnitude of the Federal debt is such that the decisions made in managing the debt can have profound effects on the money markets, on the structure of interest

rates and on the magnitude of the flow of funds into corporate and municipal bonds and mortgages. Moreover, debt management decisions can have a significant impact on the liquidity of the economy, on the effectiveness of monetary policy and on the balance of payments.

All of this means that the management of the debt is a continuous and unrelenting task. Even in a year in which the Federal budget is in balance, debt operations on a very large scale must be carried out both to meet the seasonal financial needs of the government and to refund maturing obligations.

The primary objective of debt management is to assure a satisfactory placement of the debt, and our aim must always be to minimize the burden on the American taxpayer of the interest cost of the debt. An important objective of economic policy with respect to debt management is to help create conditions in the money and capital markets which are most conducive to the orderly growth of the economy without inflation. A further objective, now of very great importance, is to conduct

operations in such a way as to contribute toward the achievement of equilibrium in our balance of payments. We must constantly blend these objectives so as to obtain the overall result that most clearly reflects the national interest at the moment, as well as over the long term.

In seeking to attain these debt management objectives, we are continually striving to produce a more balanced maturity structure for the debt - - that is, a broad distribution of the outstanding debt among holders interested in short-term securities, others who want issues of intermediate term, and those whose needs are for long-term bonds. This will enable us to reach all types of demand for government securities and to avoid the problems produced by an excessive concentration of debt in a particular maturity area.

One of the Treasury's principal instruments in working toward the needed restructuring of the debt over the past few years has been the advance refunding. I would like to emphasize, however, that the achievement

of a more balanced debt structure is not an end in itself. It is a necessary means toward achieving all of the other goals that I have already mentioned. We do not advocate lengthening the debt structure merely for its own sake. If it were possible to accomplish all of our objectives with a Federal debt entirely composed of short maturities, our problem, in some respects, might be easier. In that same light, the shortest maturity of all would be that of printing money. But merely to mention that extreme result - - the ultimate result of continually shortening the maturity of the debt - - is to give the answer. The eventual breakdown of the entire payments mechanism would be the inevitable end of that kind of course.

One fact of life which bears heavily on any debt manager is that, unless he moves in a fairly regular fashion to put out reasonable amounts of intermediate and long-term debt, he will, within the space of a few years, find himself with a debt that is predominantly short-term in character, and getting shorter every day. In this

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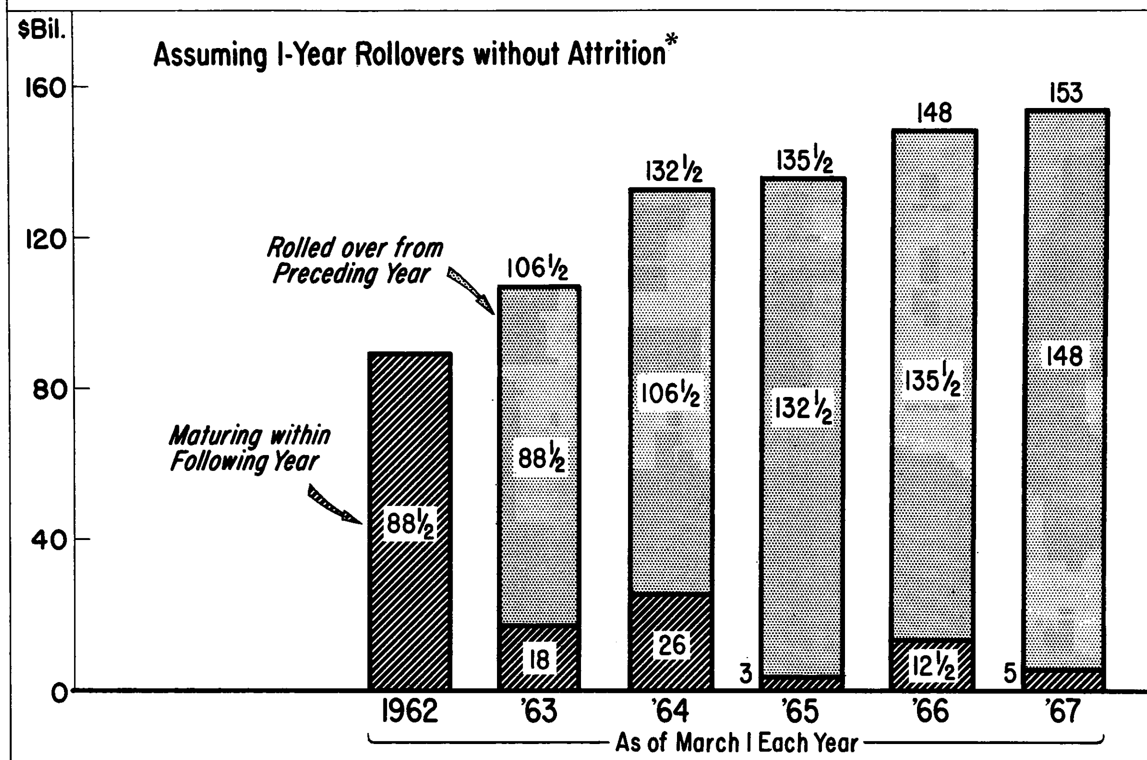


*Without any future change in the marketable debt or in the volume of seasonal bills. Partially tax-exempt bonds to earliest call date.

Office of the Secretary of the Treasury B-1435

connection, I would like to call your attention to Chart 1. This chart shows what would happen to the size of the under one-year debt if, beginning today, we were to refund all maturing securities with one-year issues during the next five years. With no change in the total size of the debt, the amount of debt maturing within one year would rise from the present level of $88.5 billion to $132.4 billion in two years and to $153.1 billion in five years. As a

percentage of the present total of outstanding marketable debt, this would mean a rise from 45% to 67%, to 77%.

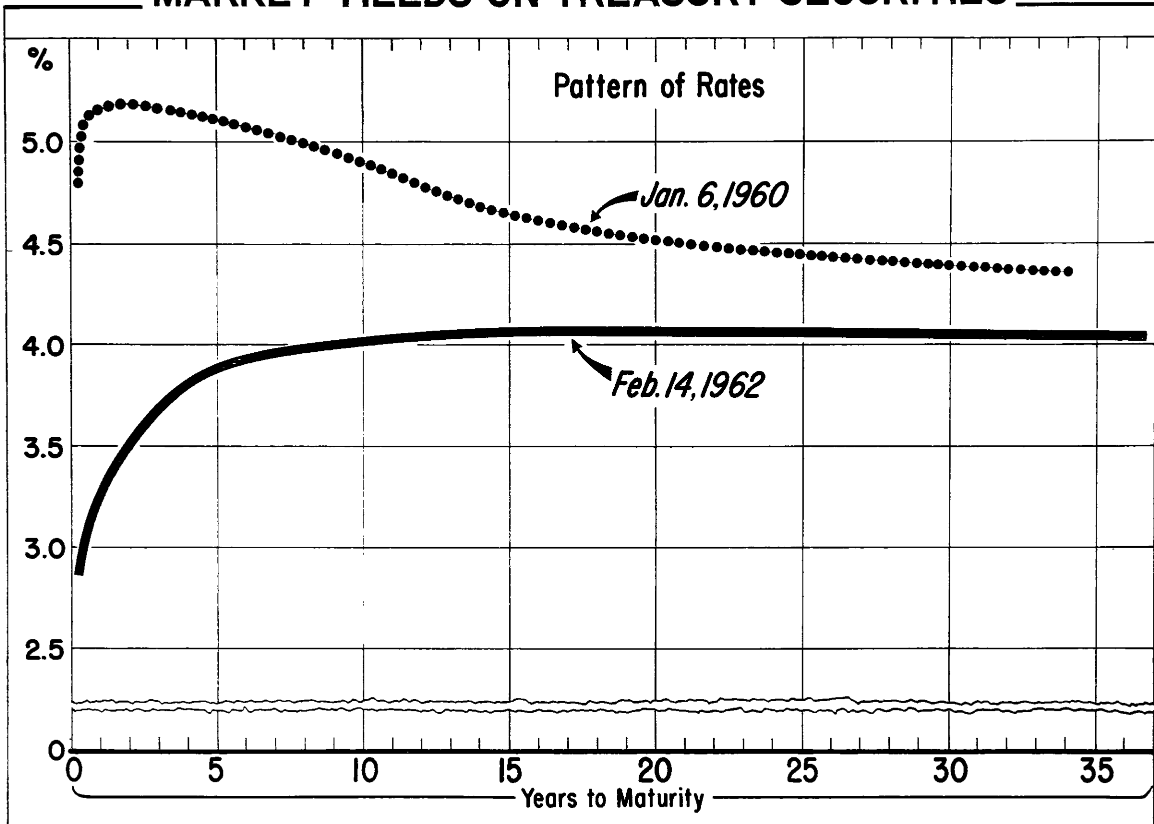
Granted that the printing press extreme is out of the question, why, though, should a concentration of debt in the short-term area cause serious economic problems? Why are we seeking a balanced maturity structure which includes reasonable amounts of intermediate and long-term debt? These are the questions I would like to discuss further before considering the subsequent question: namely, if it should be agreed that we ought to put out some long-term debt, why use the advance refunding technique rather than offering long-term issues for cash or in regular refunding operations?

Off hand, looking at the smooth manner in which our short-term security operations have usually been carried out, with relatively little disruptive impact on the money markets, and at interest rates usually lower than on longer-term issues, one might ask why we do not put the entire Federal debt in short-term securities.

The answer is that the short-debt only behaves this way now because we have kept its size down to the present

relative magnitudes. While it is true that there is a strong demand for short-term government securities, the demand is not without limits. If the Federal Government were to try to increase the supply of short-term securities far beyond the needs of the economy for this kind of instrument, yields would be certain to rise sharply. As a consequence, if we were to concentrate the entire Federal debt in maturities of five years or less, the average interest cost of the debt would probably be at least as high as it is with our present debt structure.

A good example of what can happen when the Federal Government pushes more debt into a particular maturity area than the economy wishes to hold is provided by the experience of 1959. Because, under the interest rate ceiling, it could not offer securities with a maturity over five years bearing a coupon higher than 4-1/4%, while the market demanded a higher rate, the Treasury concentrated all of its financing operations from April 1959 through March 1960 in the five-year or under area. During that period you will recall that the debt increased by $9.1 billion. I would like to call your attention to Chart 2, which shows the effect on yields of



this concentration of relatively short-term financing. Chart 2 shows the pattern of yields on government securities in January 1960, when short-term issues from 91-day bills out to five year notes were selling at higher yields than bonds maturing in twenty-five to thirty-five years. I need not remind you that we have only one outstanding United States Government security bearing a coupon of 5%. This was a 4-year and 10-month obligation sold on October 6, 1959. Without reviewing

the experience of 1959 and early 1960 in detail or the related role of Federal Reserve action and other market factors at that time, the events of that period provide a vivid demonstration that concentrating an excessive amount of Treasury securities in short maturities, a greater quantity than the market desires to absorb, produces higher rather than lower interest costs.

As time passes and the economy grows, the demand for short-term government securities for use as liquidity reserves will also grow, and it would be quite appropriate for the Treasury to expand the outstanding volume of short-term government securities consistent with this growing demand. During 1961, the outstanding amount of government securities maturing within one-year was increased by $10.6 billion. Thus far in 1962, the under one-year debt has been increased by an additional $2.6 billion. We have not been reluctant to increase the outstanding short-term debt in those quantities which we felt the economy could appropriately absorb, and we will continue to do so in the future.

Increasing the supply of short-term securities, of course, tends to put upward pressure on short-term rates.

One of the Treasury's purposes in increasing the volume of under one-year debt during the past year has been to do just that - - to put upward pressure on short-term interest rates and, thereby, to keep our short-term rates in reasonable equilibrium with rates in other countries. The objective was to deter outflows of short-term money to foreign countries stemming from interest rate differentials, outflows which would weaken our balance of payments position. In substantially increasing the supply of under one-year debt, the Treasury did help to push short-term rates higher, as illustrated by the fact that yields on 3-month Treasury bills have moved up from around 2.25% in January 1961 to 2.80% at present.

Even if it were possible to reduce substantially the burden of interest costs by concentrating on relatively short-term security offerings, which we do not believe to be true, there is a vital economic reason for avoiding an excessive concentration of short-term debt; that is, the undesirable effects of such an excessive concentration on the liquidity of the economy and the effectiveness of monetary policy.

Short-term government securities are close substitutes for money. They can be turned into cash

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quickly, with little marketing cost and relatively little risk of loss. A banking system holding excessive quantities of short-term government securities will respond only slowly to monetary controls. This means that to achieve a given level of monetary restraint the Federal Reserve would be required to adopt more restrictive measures than would otherwise be necessary.

An excessive volume of short-term debt hampers an effective monetary policy in still another way. The shorter the maturity structure of the debt, the more often the Treasury must come to the market in sizable refunding operations. Because of the magnitude of Treasury debt operations, it has always been considered essential that the Federal Reserve maintain an "even keel" in the market during such operations. However, if the Treasury is almost continually in the market, the Federal Reserve will find itself with very little room to operate in carrying out its responsibilities. A balanced debt structure, which reduces the number of occasions during the year that the Treasury must carry out sizable refunding operations, will make for the exercise of more effective monetary control by the Federal Reserve.

For all of these reasons, it is essential that the Treasury, from time to time, put out some longer-term debt. If this must be done, why is it often more advantageous to put out longer-term debt through advance refunding rather than through direct cash sales or regular refunding operations?

There are three important and unique advantages to the Treasury in the advance refunding approach. First, and most important, the advance refunding technique does not immediately pull large blocks of long-term funds out of the capital markets, funds which otherwise would go into corporate and municipal bonds or mortgages. What this means is that job-creating business investments and the financing necessary to build schools, roads, other public improvements and homes will not be curtailed. Were the Treasury to sell any substantial quantity of long-term bonds for cash, it would immediately reduce the quantity of long-term funds available for private investment and investment by state and local governments and, thereby, slow down our economic expansion. With the economy still operating well below capacity levels, we believe that this would be poor economic policy.

The advance refunding, however, has the least possible immediate impact on the current flow of new long-term savings. It merely changes the form in which old savings are held by lengthening the maturity of the obligation. New cash funds are not involved, except to the relatively minor extent that some investors buy the eligible securities in the market in order to make the exchange, and even in such cases an equivalent amount of funds is freed for other uses.

By use of the advance refunding technique, the Treasury can assure the retention of its regular customers for genuine long-term investments. This is not possible if long-term securities are only sold as part of regular refundings since, for a considerable period before the maturing securities come due, they have become liquid money market instruments; and their ownership has largely been shifted out of the hands of long-term investors into the hands of short-term investors who are not likely to be interested in long-term securities.

A second important advantage of advance refunding is that, through this technique, a substantial quantity of long-term bonds can be added to the government's debt

structure with an absolute minimum of upward pressure on long-term interest rates. This was the experience in earlier advance refundings, and it was certainly the experience in our most recent operation. In last month's advance refunding, we placed an additional $1.4 billion in bonds maturing in 1990 and 1998 in the hands of the public. Yet the level of long-term government bond yields is somewhat lower today than it was at the time we announced the advance refunding on February 15. The level of long-term interest rates in both the corporate and the municipal bond markets is lower now than on February 15. If we had attempted to sell $1.4 billion of long-term bonds in the current market as a cash offering or regular refunding, we would certainly have put substantial and immediate upward pressures on long-term bond yields.

The Administration's policy on long-term interest rates has been stated on many occasions during the past year. We have continually sought to avoid putting upward pressures on long-term interest rates, in order to provide the kind of atmosphere in the capital markets conducive to a large flow of long-term funds into private investment. Our debt management policies have been and

are being directed toward this end. We feel that our efforts in this direction have been successful. For 1961 saw the largest combined flow of funds into corporate bonds, municipal bonds and mortgages in our history and, despite this fact, long-term interest rates, on the whole, are no higher today than they were a year ago, when we were close to the bottom of the recession (see Chart 3). While yields on long-term United States Government bonds are about 1/4 of one percent higher than a year ago, yields on corporate bonds are approximately unchanged and those on municipal bonds and mortgages are lower. In considering these results, we should realize that the most important long-term rates from the point of view of the economy are those for new corporate borrowing, for the sale of new municipal bonds and for mortgages, since they finance new jobs and new schools, roads and homes.

A third important reason for using the advance refunding approach is that it is usually the cheapest way for the Treasury to put out long-term securities. There is one simple reason for this. When the Treasury puts out long-term securities for cash or in a regular refunding, we must appeal to investors who have complete

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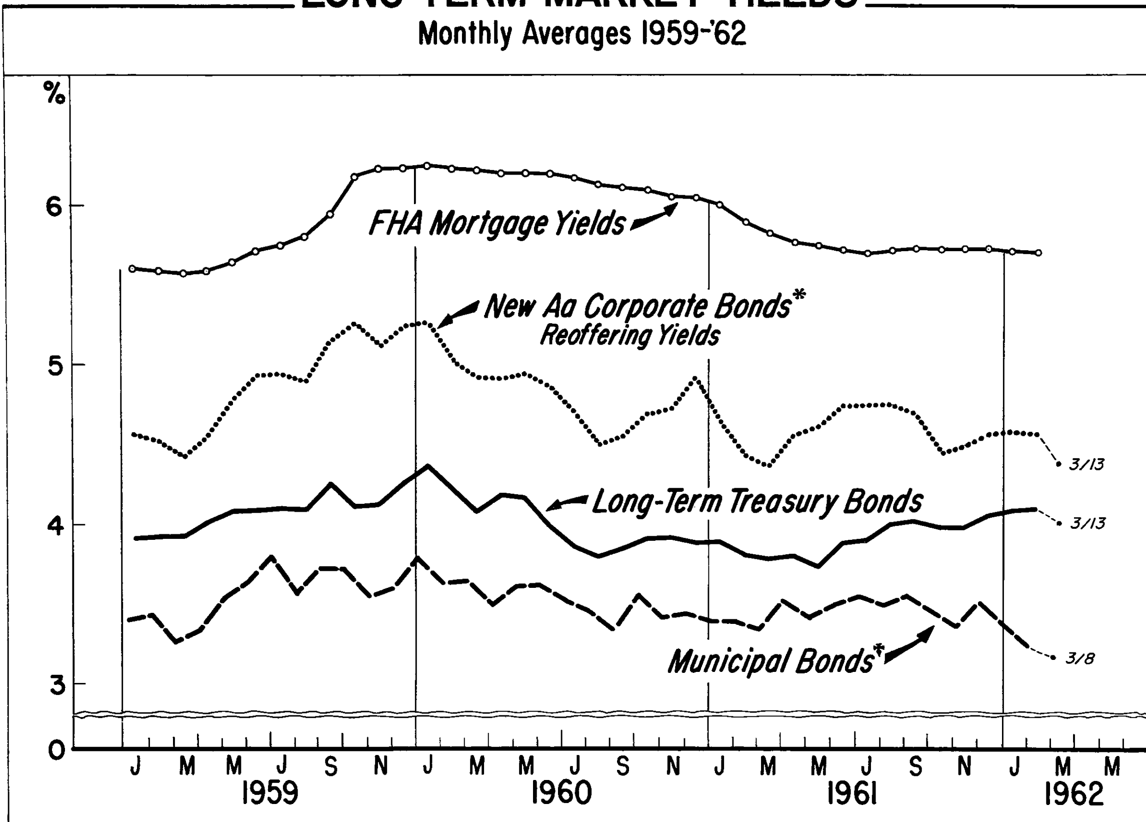


freedom of action. They are free to choose among our Treasury offerings, corporate bonds, corporate equities, municipal bonds, mortgages, and still other alternatives. The yields on our long-term cash or refunding issues must be fully competitive with these alternatives.

However, in an advance refunding we are appealing to a group of investors who do not have complete freedom action. To move out of their present holdings, many of

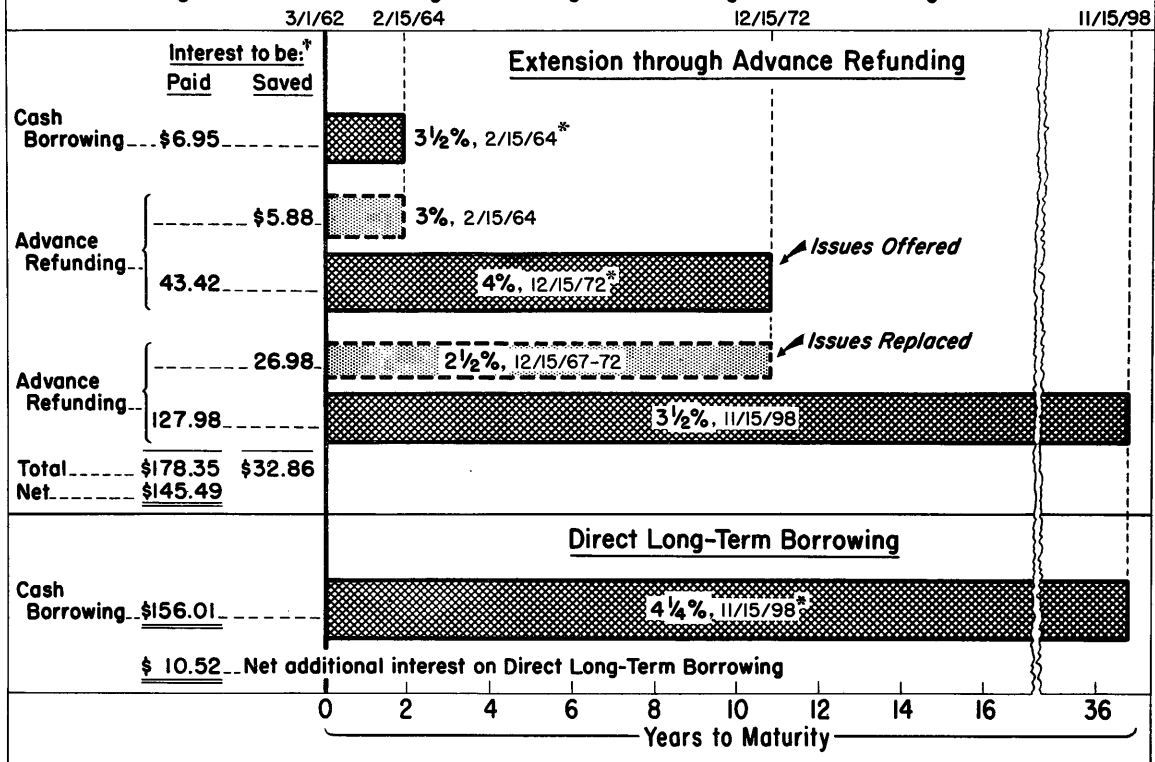
these investors would have to realize substantial capital losses on market sales. Through the advance refunding, these investors may extend the maturity of their holdings without putting capital losses on their books and with a minimum of inconvenience and uncertainty. It is because of this special appeal of an advance refunding to those who otherwise would not wish to disturb their holdings that the Treasury can in this way put out larger quantities of long-term bonds at lower interest costs to the taxpayer than would be possible by other means.

I mentioned earlier that we placed in the hands of private investors $1.4 billion of bonds maturing in 1990 and 1998 in last month's advance refunding. To have attempted to sell such a large quantity of long-term bonds for cash would have required a greater total interest cost to the Treasury than we paid in our advance refunding offering.

I would like to present a numerical example, which, I believe, illustrates this last point. While the situation is hypothetical, it rather closely parallels the form of last month's advance refunding. The details of the example are shown in Chart 4, but I will attempt to summarize the principal features.

Chart 4

INTEREST COST OF EXTENDING DEBT TO 1998



* Hypothetical issues based on market pattern of rates on 2/14/62: 3-1/2% note due 2/15/64 "sold" at a discount to yield 3.55%; 4% bond due 12/15/72 "exchanged" for 3% bond due 2/15/64 plus $0.25 per $100 payable by the Treasury; and 4-1/4% bond due 11/15/98 "sold" at par. Other issues were actually involved in the latest advance refunding.

† Interest figures are simple arithmetic totals. They are not discounted to present value. Even when discounted at 4.25% (the rate for 1998 cash borrowing directly) the net discounted cost through advance refunding is lower.

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In the example we assume that the Treasury needs to borrow $1 billion in cash and that, to improve the debt structure, it is desirable to place this $1 billion out in the 1998 maturity area. We can accomplish these objectives in one of two ways. One way, of course, is to sell a $1 billion, 1998 bond directly for cash. An alternative is to place $1 billion in bonds out in the

1998 area through advance refunding and to raise the required cash through the sale of a short-term issue in the maturity area vacated by the advance refunding.

We will assume that the $1 billion of 1998 bonds could have been sold for cash in the present market with a 4-1/4% coupon, priced at par. In the opinion of the Treasury, this interest cost assumption for the sale of such a large quantity of new long-term bonds is most conservative. Even on the basis of this conservative assumption the total interest payments on these 4-1/4% bonds through their maturity in 1998 would amount to $156.01 per $100 of bonds sold.

Now let us look at an alternative way of handling the situation which, as I noted earlier, rather closely parallels last month's advance refunding operation. It is, in effect, a way of putting an issue into the long-term area while drawing funds from the shorter-term area. This is done by what some market observers have called "leap frogging". Not all of the leaps may occur at once; but to make this example clear, I will assume that they do. What happens is that a 10-year issue, for example, is converted into a 36-year issue; then,

following behind that, a 2-year issue is converted into a 10-year issue. There are two leaps involved: one from 10 out to 36 years; the second from 2 out to 10 years. In effect, the second move has filled in the space vacated when the first move occurred.

After that, the third step is an easy one -- borrow for cash at a two-year maturity. In the end, then, the Treasury will have its cash. It will have borrowed the cash at the two-year rate of interest, but it will have no more two-year debt outstanding than before the operation began. Nor will it have any more 10-year debt than before. The only increase will have occurred in the 36-year debt.

Now let me repeat the example more precisely, using issues and prices now in the market. What we have here is a combination "junior" and "senior" advance refunding. The "senior" portion involves the advance refunding of $1 billion of 2-1/2% bonds maturing in 1972 into 3-1/2% bonds maturing in 1998. To fill the 1972 vacancy in the maturity structure created by this "senior" advance refunding, there is a "junior" advance refunding of 3%

bonds maturing in 1964 into 4% bonds maturing in 1972. Finally, to meet the $1 billion cash requirement, the 1964 gap in the maturity structure created by the "junior" advance refunding is filled by selling for cash $1 billion of 3-1/2% notes maturing in 1964.

Adding the interest payments to maturity on the 1964 note which we would sell for cash, and the interest payments on the 1972 bonds placed through the "junior" advance refunding and the 1998 bonds placed through the "senior" advance refunding, we find that the total interest cost resulting from this three-part operation over the entire period to 1998 is $145.49 per $100 borrowed. Thus, we would have achieved our objectives of raising $1 billion in cash and placing $1 billion in bonds out in the 1998 area through advance refunding at a total interest cost during the period of $10.52 less per $100 borrowed than if we had issued $1 billion of 4-1/4%, 1998 bonds directly for cash. The total interest cost savings on the $1 billion of debt would have amounted to $105.2 million.

Moreover, the debt management objectives would have been achieved without draining new long-term funds out of

the capital markets or placing any overall upward pressure on long-term interest rates.

The basic reason that the advance refunding approach resulted in a lower total interest cost to the Treasury is that, in the "senior" advance refunding, holders of the 1972 maturities were induced to extend an additional 26 years with a 3-1/2% coupon, 3/4 of 1% below the minimum coupon that would have been required for a direct cash sale of 1998 bonds. In order to induce the holders of the 1972 bonds to extend to 1998 at 3-1/2%, the Treasury had to offer to increase their return from 2-1/2% to 3-1/2% during the ten years from 1962 to 1972, but this was an exchange that the Treasury could well afford to make. It represented a payment of 1% in additional interest for the next 10 years in return for a saving of 3/4 of 1% in interest over the following 26 years -- a fair offer but no bonanza.*

In our last advance refunding, 19% of the public holdings of the 2-1/2% bonds of 1967-72 were exchanged for

3-1/2% bonds

*The calculated interest costs and interest savings in the five advance refundings are summarized in the tables attached to the appended correspondence with Senator John J. Williams.

3-1/2% bonds maturing in 1990 and 1998. This was a response with which the Treasury was well satisfied. But if this had been a windfall offering, something which involved an undeserved gain for the investor, one would have to conclude that American investors holding 81% of the bonds did not know a windfall when they saw one, because 81% of the bonds were not exchanged.

To sum up, the advance refunding offers a number of unique advantages to the Treasury. Through this device, it is possible to put out substantial quantities of long-term Treasury bonds with the least possible drain of new long-term funds out of private investment channels and with the minimum of upward pressures on long-term interest rates. In addition, this technique has enabled the Treasury to place long-term bonds in private hands at lower interest costs than could have been possible through cash offerings or regular refunding offerings of any comparable size. To be sure, as market conditions shift about, there will be times when long-term cash issues or refunding exchanges will also be appropriate. But the appraisal will depend in large part upon analysis of

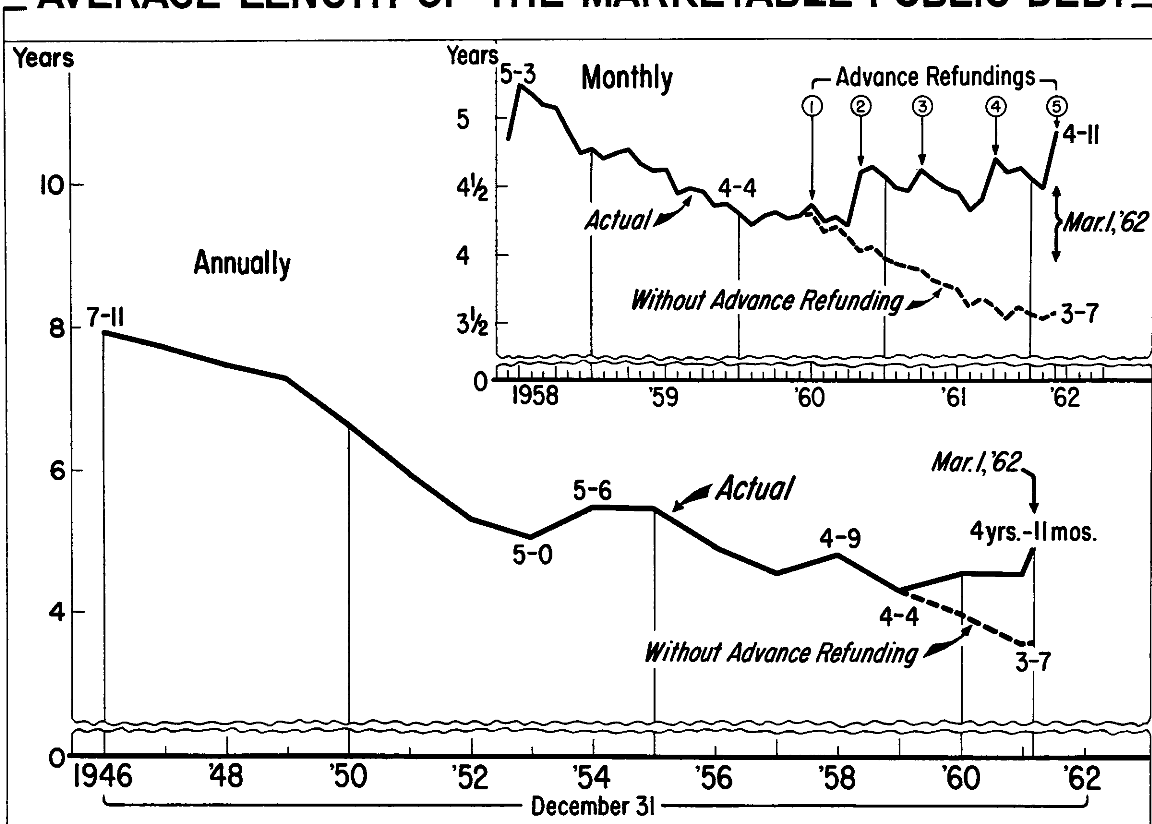
alternatives such as I have tried to outline here. Clearly, in the tool-kit of debt management, advance refunding must be recognized as an instrument of major importance.

Advance refunding was first used by my predecessor, Secretary Anderson, who conducted two advance refunding operations in 1960. Last month's operation was this Administration's third use of this technique, making a total of five advance refundings in all. These advance refunding operations have accomplished much in producing a more balanced maturity structure for the debt. The average length of the debt today is 4 years and 11 months, the longest it has been since the fall of 1958. If the five advance refundings had not been undertaken, the average length of the debt would now be only 3 years and 7 months, almost 30% shorter (see Chart 5). We now have $15.2 billion in outstanding debt maturing beyond 20 years. $7.7 billion, or just over half of this total, was placed through advance refunding.

In conclusion, advance refunding is a technique that we would hope to use again in the future, whenever circumstances

Chart 5

AVERAGE LENGTH OF THE MARKETABLE PUBLIC DEBT*



*Adjusted to exclude 2½% bonds exchanged for nonmarketable 2¾% bonds. Partially tax-exempt bonds to earliest call date; all other callable bonds to maturity.

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are appropriate for its use. In seeking to conduct our debt management operations in a responsible manner, we will continue to be mindful of the need to minimize the interest burden of the debt, and we will also continue to be mindful that our debt management policies, through their impact on the money and capital markets, must contribute toward our major economic objectives of sound economic growth, reasonable price stability and equilibrium in our balance of payments position.

JOHN J. WILLIAMS
DELAWARE

United States Senate
WASHINGTON, D. C.

March 5, 1962

Honorable Douglas Dillon
Secretary of the Treasury
Washington 25, D. C.

My dear Mr. Secretary:

In connection with the series of advance refunding operations by the Treasury Department I would appreciate the following information:

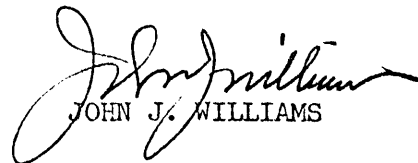
1. The maturity date and the coupon rate of the outstanding bonds involved in the refunding operation and the maturity date and coupon rate of the new bonds offered in transfer.

2. The total amount of these bonds of each series which were traded for the new issue (if more than one issue is involved give the amount involved in each transfer).

3. In connection with each refunding operation please furnish the total amount of additional interest which will be paid by the government to these new bondholders during the period between the date of the refunding operation and the original date of maturity of the bonds traded in.

What I am trying to establish is how much additional interest the Federal Government will be paying during the next five to ten years above the amount which would have been paid had these low coupon bonds been allowed to mature in a normal manner.

Yours sincerely,



JOHN J. WILLIAMS

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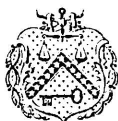


THE SECRETARY OF THE TREASURY
WASHINGTON

MAR 13 1962

Dear John:

In response to your letter of March 5, I enclose two tables which provide the information you requested on the five advance refundings which the Treasury has undertaken in the past two years.

One of the tables presents the additional interest costs incurred by the Treasury in the five advance refundings. In addition, it shows the interest savings to the Treasury in these advance refundings on the assumption that the original issues are to be refunded at maturity into the issues offered in exchange at today's interest rate levels. Looking at both the additional interest costs to the Treasury and the interest savings involved in advance refundings places the interest cost issue in its proper perspective.

You will note that only the June, 1960 and March, 1961 "junior" advance refundings resulted in a net interest cost to the Treasury on these assumptions and that, in taking the five advance refundings as a whole, these calculations indicate a net interest savings to the Treasury of $541 million over the entire period through fiscal year 1999.

With best wishes,

Sincerely,

Douglas Dillon

The Honorable John J. Williams
United States Senate
Washington 25, D. C.

Enclosures

Old issues: Description	Old issues: Amount outstanding (m. of d.)	Old issues: Term to maturity (Yrs. - Mos.)	New issues: Description	New issues: Term to maturity (Yrs. - Mos.)	Extension (Yrs. - Mos.)	Amount exchanged: Total (m. of d.)	Amount exchanged: Publicly held (m. of d.)	% exchanged: Total	% exchanged: Publicly held	Effect on average length of marketable debt (Mos.)	"Boot" paid to Treasury (+) per $100	For nontaxable holders or before tax: Approximate investment yield from exchange date to maturity 1/	For nontaxable holders or before tax: Approximate minimum reinvestment rate for extension period adj. for "boot"
June 1960:													
2-1/2% 11/15/61.................	$11,177	1-5	{3-3/4% 5/15/64	3-11	2-6	$ 3,893	$ 3,814	34.8%	34.7%		-	4.24%	4.51%
			{3-7/8% 5/15/68	7-11	6-6	320	264	2.9	2.4		-	4.14	4.22
	11,177				2-10	4,214	4,077	37.7	37.1	0.8			
October 1960:													
2-1/2% 6/15/62-67..............	2,109	6-8-1/2	3-1/2% 11/15/80	20-1-1/2	13-5	643	512	30.5	27.8		-	3.92	4.23
2-1/2% 12/15/63-68..............	2,815	8-2-1/2	3-1/2% 2/15/90	29-4-1/2	21-2	993	777	35.3	32.5		-	3.96	4.17
2-1/2% 6/15/64-69..............	3,738	8-8-1/2	3-1/2% 11/15/98	38-1-1/2	29-5	1,095	993	29.3	30.3		-	3.97	4.09
2-1/2% 12/15/64-69..............	3,812	9-2-1/2	3-1/2% 11/15/98	38-1-1/2	28-11	1,248	1,113	32.7	33.9		-	3.99	4.14
	12,474				24-7	3,979	3,395	31.9	31.4	6.3			
March 1961:													
2-1/4% 6/15/59-62..............	5,262	1-3	3-5/8% 11/15/67	6-8	5-5	1,296	1,226	24.6	25.9		-	3.75	3.98
2-1/4% 12/15/59-62..............	3,449	1-9	3-5/8% 11/15/67	6-8	4-11	1,177	819	34.1	30.2		+$0.30	3.75	4.10
2-5/8% 2/15/63..............	3,971	1-11	3-5/8% 11/15/67	6-8	4-9	1,131	998	28.5	26.3		-	3.75	4.08
2-1/2% 8/15/63..............	6,755	2-5	3-3/8% 11/15/66	5-8	3-3	2,438	2,399	36.1	35.8		-	3.63	4.09
	19,436				4-4	6,041	5,442	31.1	30.3	1.6			
September 1961:													
2-1/2% 3/15/65-70..............	4,688	8-6	{3-1/2% 11/15/80	19-2	10-8	1,035	589 }				+ 2.25	4.16	4.31
			{3-1/2% 2/15/90	28-5	19-11	722	622 }	48.0	50.1		- 1.00	4.23	4.36
			{3-1/2% 11/15/98	37-2	28-8	495	469 }				- 2.00	4.19	4.28
2-1/2% 3/15/66-71..............	2,927	9-6	{3-1/2% 11/15/80	19-2	9-8	238	203 }				+ 3.50	4.15	4.30
			{3-1/2% 2/15/90	28-5	18-11	576	515 }	51.4	52.6		+ 0.25	4.21	4.36
			{3-1/2% 11/15/98	37-2	27-8	692	428 }				- 1.00	4.19	4.30
	7,615				19-2	3,757	2,826	49.3	51.1	4.5			
March 1962:													
3% 2/15/64..............	3,854	1-11-1/2	4% 8/15/71	9-5-1/2	7-6	1,154p	1,104p	29.9	29.9		-	4.11	4.32
2-5/8% 2/15/65..............	6,896	2-11-1/2	{4% 8/15/71	9-5-1/2	6-6	1,651p	1,293p }	32.1	27.5		+ 2.00	4.10	4.36
			{4% 2/15/80	17-11-1/2	15-0	561p	384p }				+ 0.25	4.20	4.36
2-1/2% 6/15/67-72..............	1,756	10-3-1/2	{3-1/2% 2/15/90	27-11-1/2	17-8	233p	198p }	23.5	23.1		+ 1.25	4.21	4.37
			{3-1/2% 11/15/98	36-8-1/2	26-5	180p	165p }				-	4.19	4.30
2-1/2% 9/15/67-72..............	2,716	10-6-1/2	{3-1/2% 2/15/90	27-11-1/2	17-5	345p	185p }	28.2	19.1		+ 1.50	4.21	4.38
			{3-1/2% 11/15/98	36-8-1/2	26-2	420p	266p }				+ 0.25	4.19	4.30
2-1/2% 12/15/67-72..............	3,512	10-9-1/2	{3-1/2% 2/15/90	27-11-1/2	17-2	322p	299p }	18.7	18.0		+ 1.75	4.19	4.38
			{3-1/2% 11/15/98	36-8-1/2	25-11	333p	281p }				+ 0.50	4.17	4.30
	18,734				13-0	5,198p	4,174p	27.7p	24.6p	4.1			
Total..............................	69,435				11-11	23,189p	19,915p	33.4p	33.0p	16.6 2/			

Office of the Secretary of the Treasury
Office of Debt Analysis

March 9, 1962

1/ Based on price of bonds eligible for exchange -- mean of bid and ask prices at noon on day before announcement, adjusted for "boot" payments.
2/ Based on debt level of March 1, 1962.

Note: All items on table were made public or are derivable from public sources.

FIVE ADVANCE REFUNDINGS -- INTEREST COSTS AND INTEREST SAVINGS

Added Interest Cost over Remaining Life of Issues Eligible for Exchange and

Estimated Interest Savings from Maturity of Eligible Issues to Maturity of Issues Offered in Exchange 1/

(Dollar figures are in millions)

Fiscal Year	June 1960		October 1960		March 1961		September 1961		March 1962		Total of five advance refundings	
	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/	Added interest to maturity of eligible issue	Interest savings from maturity of eligible issue to maturity of offered issue 2/
1960.....	$ 1.0										$ 1.0	
1961.....	53.1		$29.5		$15.9						98.5	
1962.....	19.9	-$ 1.8	39.8		65.9	$ .2	-$ 3.3 3/		-$30.8 3/		91.5	-$ 1.7
1963.....		- 2.9	39.8		35.8	6.2	37.6		60.3		173.5	3.2
1964.....		- 2.5	39.8		2.7	15.0	37.6		56.0	$ .3	136.0	12.7
1965.....		.2	39.8			15.9	37.6		37.3	1.2	114.7	17.3
1966.....		.2	39.8			15.9	37.6		18.3	2.0	95.7	18.1
1967.....		.2	39.5	$ .2		11.3	37.6		18.3	2.0	95.4	13.6
1968.....		.2	33.4	4.4		3.2	37.6		18.3	2.0	89.3	9.8
1969.....			27.5	8.7			37.6		18.3	2.0	83.4	10.7
1970.....			5.7	24.8			31.0	$ 4.7	18.3	2.0	55.1	31.4
1971.....				29.0			10.7	19.2	18.3	2.0	29.0	50.2
1972.....				29.0				26.9	18.2	1.4	18.2	57.3
1973.....				29.0				26.9	4.6	11.2	4.6	67.1
1974.....				29.0				26.9		14.5		70.4
1975.....				29.0				26.9		14.5		70.4
1976.....				29.0				26.9		14.5		70.4
1977.....				29.0				26.9		14.5		70.4
1978.....				29.0				26.9		14.5		70.4
1979.....				29.0				26.9		14.5		70.4
1980.....				29.0				26.9		14.1		70.0
1981.....				26.3				21.9		13.4		61.5
1982.....				24.6				18.8		13.4		56.8
1983.....				24.6				18.8		13.4		56.8
1984.....				24.6				18.8		13.4		56.8
1985.....				24.6				18.8		13.4		56.8
1986.....				24.6				18.8		13.4		56.8
1987.....				24.6				18.8		13.4		56.8
1988.....				24.6				18.8		13.4		56.8
1989.....				24.6				18.8		13.4		56.8
1990.....				21.9				15.2		11.0		48.1
1991.....				17.3				9.2		6.9		33.5
1992.....				17.3				9.2		6.9		33.5
1993.....				17.3				9.2		6.9		33.5
1994.....				17.3				9.2		6.9		33.5
1995.....				17.3				9.2		6.9		33.5
1996.....				17.3				9.2		6.9		33.5
1997.....				17.3				9.2		6.9		33.5
1998.....				17.3				9.2		6.9		33.5
1999.....				6.5				3.5		2.6		12.6
Totals.........	$74.0	-$ 6.4	$334.6	$718.4	$120.3	$67.6	$301.4	$531.2	$255.5	$316.2	$1,085.9	$1,626.9
Net savings or added cost (-) over life of issue offered..	-$80.4		$383.8		-$52.7		$229.8		$60.7		$541.0	

Office of the Secretary of the Treasury
Office of Debt Analysis

March 12, 1962

Note: Figures may not add to totals because of rounding.

1/ Includes cash payments on account of issue price: Payments to the Treasury are credited in the fiscal year received; payments by the Treasury are charged pro rata over the term of the issue offered in exchange.

2/ Estimates based on hypothetical issues needed to refund eligible issues at their maturity for the remaining term of the issues offered in exchange. For June 1960 advance refunding rates based on market yields at the time of the November 1961 refunding on the issues offered in the June 1960 exchange. For all other advance refundings, rates are based on market pattern of yields on February 28, 1962.

3/ Cash payments to the Treasury on account of issue price exceed added interest cost.

XXXXXXXXXXXXXXXX

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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated December 21, 1961, (91 days remaining until maturity date on June 21, 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 Banks on March 22, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 22, 1962. Cash

110 Room 3421

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE   March 14, 1962

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 $1,800,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 22, 1962, in the amount of $1,704,889,000, as follows:

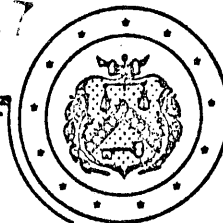
91-day bills (to maturity date) to be issued March 22, 1962, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated December 21, 1961, and to mature June 21, 1962, originally issued in the amount of $601,595,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated March 22, 1962, and to mature September 20, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, March 19, 1962. 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.

March 14, 1962

FOR IMMEDIATE RELEASE

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182-day bills, for $600,000,000, or thereabouts, to be dated March 22, 1962, and to mature September 20, 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, $50,000, $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.

D-423

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated December 21, 1961, (91-days remaining until maturity date on June 21, 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 March 22, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 22, 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.

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

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Commodity	Period and Quantity		Unit of Quantity	Imports as of March 3, 1962
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butter fat...............	Calendar Year 1962	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 August 1, 1961	1,709,000	Pound	897,437 1/
Tung Oil...........................	Feb. 1- Oct. 31, 1962			
	Argentina	17,226,164	Pound	3,572,425 1/
	Paraguay	2,963,370	Pound	-
	Other Countries	936,000	Pound	-

1/ Imports through March 12, 1962.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, MARCH 16, 1962.

D-424

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 March 3, 1962, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 3, 1962
Tariff-Rate Quotas:				
Cream, fresh or sour..............	Calendar Year	1,500,000	Gallon	-
Whole Milk, fresh or sour..........	Calendar Year	3,000,000	Gallon	35
Cattle, 700 lbs. or more each (other than dairy cows).........	Jan. 1, 1962- March 31, 1962	120,000	Head	16,906
Cattle less than 200 lbs. each...	12 mos. from April 1, 1961	200,000	Head	37,251
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish..........	Calendar Year	28,571,433	Pound	Quota Filled 1/
Tuna Fish........................	Calendar Year	To be announced	Pound	8,050,911
White or Irish potatoes:				
Certified seed...................	12 mos. from Sept. 15, 1961	114,000,000	Pound	34,018,750
Other...........................		36,000,000	Pound	4,128,316
Walnuts..........................	Calendar Year	5,000,000	Pound	278,211
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1961- Oct. 31, 1962	69,000,000	Pieces	60,924,885 2/

1/ Imports for consumption at the quota rate are limited to 7,142,858 pounds during the first three months of the calendar year.

2/ Imports through March 9, 1962.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, MARCH 16, 1962.

D-424

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Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butter fat...............	Calendar Year 1962	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 August 1, 1961	1,709,000	Pound	897,437 1/
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	Paraguay	2,963,370	Pound	-
	Other Countries	936,000	Pound	-

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
Friday, March 16, 1962.

D-425

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1962, to March 3, 1962, 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 March 3, 1962
Buttons...........	680,000	Gross	45,815
Cigars............	160,000,000	Number	1,492,785
Coconut oil.......	358,400,000	Pound	27,473,681
Cordage...........	6,000,000	Pound	588,113
Tobacco...........	5,200,000	Pound	2,264,930

TREASURY DEPARTMENT
Washington

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Friday, March 16, 1962. D-425

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TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
FRIDAY, MARCH 16, 1962

D-426

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

QUARTERLY QUOTA PERIOD - January 1 - March 31, 1962

IMPORTS - January 1 - March 12, 1962

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	10,080,000	23,680,000	18,093,277	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	4,409,280
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	13,972,094	66,480,000	65,655,815	37,840,000	33,830,720
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	25,203,259	70,480,000	59,111,075	6,320,000	4,638,896
Peru	16,160,000	12,575,030	12,880,000	3,983,202	35,120,000	28,770,615	3,760,000	859,225
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,025,931	-	-	-	-
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

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

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, MARCH 16, 1962

D-426

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

QUARTERLY QUOTA PERIOD - January 1 - March 31, 1962

IMPORTS - January 1 - March 12, 1962

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	10,080,000	23,680,000	18,093,277	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	4,409,280
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	13,972,094	66,480,000	65,655,815	37,840,000	33,830,720
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Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,025,931	-	-	-	-
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

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

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 March 12, 1962	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1961, to March 12, 1962
United Kingdom	4,323,457	1,668,575	1,441,152	1,441,152
Canada	239,690	239,690	-	-
France	227,420	106,154	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	341,500	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	46,434	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	2,536,746	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
FRIDAY, MARCH 16, 1962.

D-427

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 March 12, 1962

Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	779,456
Peru	247,952	37,995
British India	2,003,483	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	114,908
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
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, to March 12, 1962

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.

IMMEDIATE RELEASE
FRIDAY, MARCH 16, 1962.

D-427

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Haiti	237	-
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Honduras	752	-
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(In pounds)

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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	341,500	-	-
China	17,322	-	-	-
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	5,482,509	2,536,746	1,599,886	1,575,695

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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.

TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
ON THE TRADE EXPANSION ACT OF 1962
THURSDAY, MARCH 15, 1962, 10 A.M., EST

Mr. Chairman and Members of the Committee:

I am here today to support approval of the Trade Expansion Act of 1962. The authority provided for in H. R. 9900 is designed to enable the President to adjust our trade policies so that they can give maximum support to the political, military, and economic aims of the United States.

The bill would equip the United States to carry out tariff negotiations effectively during the next 5 years. Such authority is essential if we are to keep our place of leadership in today's changing world. We must accomplish more through trade negotiations in the next few years than ever before.

Other witnesses have testified on the broad political military and economic benefits of the bill to the United States. As Secretary of the Treasury, I wish to direct my remarks to the contribution which it can make to the accomplishment of our national financial objectives, especially the solution of our balance of payments problem.

I will not take up the Committee's time with a long discussion of that problem. I have reviewed our balance of payments position in some detail before other committees, most recently for the Joint Economic Committee, and I will be glad

to furnish copies of that testimony for your use. The essential problem is that, although we have a large surplus of exports of goods and services over imports, that surplus is not large enough to meet our other payments. Our commercial export surplus of goods and services, excluding those financed with United States aid, amounted to $5 billion in 1961, and was $4.6 billion in 1960. But commercial surpluses of this magnitude, large as they are, have not been large enough to finance the indispensable foreign undertakings, public and private, of the United States. The largest items for which we had to provide in 1961 were: $3 billion to support our own military forces abroad, $2.6 billion for private long-term foreign investment, and $1.3 billion of economic aid, in the form of dollars. After allowing for about $700 million of receipts from special debt prepayments to the United States, our basic deficit -- which includes all our international transactions except the unrecorded items and the outflow of American short-term capital -- amounted to about $600 million as compared to $1.9 billion in 1960.

Unrecorded transactions, and various types of short-term capital movements, involved additional outflows of $1.9 billion in 1961. This brought the over-all deficit in our balance of payments to nearly $2.5 billion, compared with $3.9 billion in 1960.

While our international payments do not have to be in exact balance every year, we must aim to bring them into

balance over a period of years. If we do not we will experience persistent reductions of our available gold and holdings of convertible foreign currencies.

Expanding our export trade has become an urgent national need. As our domestic economy continues to advance, our demand for imports will become greater. Our outlays abroad for the national defense, aid and investment, are large and continuing. If these payments are to be met, the United States must export more. But, in the end, United States exports can be expanded to the necessary extent only if, through negotiations, we ensure that the doors to major foreign markets -- and especially the new and expanding Common Market of Western Europe -- can be opened wider for United States products.

The six countries which formed the European Economic Community have now established their common external tariff, and are expected to bring it into full effect when their "transitional period" is over, at the latest by the end of 1969. Also, they are rapidly reducing the tariffs which apply to their trade with one another and are committed to eliminate them altogether by the end of 1969. The United Kingdom is expected to join the European Economic Community and others may well follow. The resulting expanded Common Market will constitute a giant new economic unit within the Free World. If our exports are to be expanded to the necessary extent, liberal access to the Common Market is absolutely essential.

We are now cooperating intensively on monetary matters with the members and prospective members of the Common Market. But monetary cooperation must, in the end, rest on a solid basis of international trade.

We must not view our efforts to achieve balance in the international payments of the United States as a battle in which we can win a decisive victory and then relax. This is a campaign which must be waged successfully year after year. To ensure that we have favorable conditions for that continuing campaign, we must show, by determined action now, the direction American policy is going to take. Then foreign governments will know that we are resolved to obtain liberalized access to foreign markets for our products and that we are prepared to bargain realistically for such access. Moreover, investors can then begin without delay to base their forward planning on the premise that it will be economically feasible to supply European markets with products from American factories and farms.

I want to make it entirely clear that in my judgment trade negotiating authority like that now on the books would be completely inadequate for the solution of the problems we face. There are several reasons for this. First, if our negotiating authority continues to be subject to unduly narrow and precise procedures for item-by-item determination of possible injury, the basic intention to create authority for broad negotiations covering a wide range of commodities would be frustrated. The Common Market countries, which have found across-the-board techniques the only practicable method for their own tariff negotiations, have no interest in further item-by-item bargaining or narrowly selective lists of commodities. Second, if

American products are to be competitive with European products, all of which are to gain the right to move, free of duty, across European borders, we need to think in terms of substantial tariff action. If reductions cannot exceed the 20 percent authority we have had on the books in the past, we could, at best, achieve only marginal changes in our trading prospects. Third, tariff cuts by an across-the-board percentage offer the best way of assuring reciprocity -- of obtaining from the Common Market full value in tariff cuts for the reductions we make.

If broad and substantial mutual tariff reductions by the Common Market and the United States are effected and if we put our American producers on a comparable footing with their European competitors through the enactment of the investment credit, coupled with administrative reform of depreciation, we can then expect the resulting expansion of two-way trade to bring with it a significant increase in the commercial trade surplus of the United States -- with corresponding benefit to our balance of payments position.

Commercial merchandise exports of the United States have been $17.6 billion, and imports about $14.5 billion, in each of the last two years, giving us an annual merchandise trade surplus of about $3 billion for these years. Exports to the Common Market were about $3.5 billion and imports $2.2 billion, giving us a surplus of $1.3 billion in 1961; the comparable surplus was $1.2 billion in 1960. Even for non-agricultural

goods, our exports to the Common Market in 1961 were valued at more than $2.3 billion, compared with our imports of $2 billion, giving us a surplus of $300 million, the same as in 1960. Thus, we have a favorable basis for enlargement of our trade surplus through reciprocal reduction of tariffs. This is especially true of our trade with European countries. The European countries have surpluses, arising from transactions other than trade, which are readily available to finance deficits in their merchandise trade with us.

If tariffs on our exports and imports are reduced to a comparable extent, the neutral assumption would be that exports and imports would rise by the same percentage. As a result, the American trade surplus would become larger.

Conditions now evident, and likely to persist for a number of years, make it more likely, however, that American exports to Western Europe would rise by a greater percentage than the exports of Western European countries to the United States. European labor resources and productive capacity are being strained to support present rates of production. The rapid rise of real incomes and the high rate of capital formation prevailing in the European economy may be expected to exert strong pressure towards absorption of increases in output in domestic markets. In addition, European demand may be particularly strong and persistent for products which the United States already has the plant capacity and the labor force to supply in quantity. This is particularly true of (1) machinery

associated with the advanced labor-saving methods already well established in the United States, (2) equipment resulting from our intensive research and development programs, and (3) consumer goods which have not been available in Europe, but are coming into use as incomes of ever-larger groups rise towards the American level.

The Trade Expansion bill is also important in meeting our need for more rapid economic growth. Our principal domestic economic problem is how to stimulate increasing production and jobs. We must create a million and a half new jobs every year during the present decade to provide for the expected increase in our labor force. In addition, more than a million jobs are needed if we are to reduce unemployment from its present unacceptable level of more than 5-1/2 percent, to a more tolerable level of 4 percent. Finally, there must be employment opportunities for the millions of workers whose present jobs will be affected by advancing technology in the years ahead.

The proposed trade program is designed to be a key portion of our whole effort to meet the need, both for <u>more</u> employment, and for <u>better</u> employment of all our resources. With new trade legislation we may look forward to substantial increases in a wide range of American exports. These will be in lines of production in which we have now, or in which we can achieve, our greatest competitive strength. These will be

branches of industry and of agriculture in which our advanced technology and high skills find their greatest role.

Increases of imports, as well as of exports, will result from the reciprocal reduction of tariffs. Pessimists, therefore, will look at once for damage from those increased imports. In a resilient, expanding economy they will have to look hard. The reduction in tariffs and any resulting increase in imports will be gradual. Given time, and a favorable general economic climate in the United States, most of the adjustment to import competition will take place unnoticed, as part of the dynamic readjustment of our economy which goes on constantly. If the American labor and capital which may have been gradually displaced by imports could be identified, they would not be found idle, but rather, busily engaged in new enterprises, using new methods, furnishing new services, or producing new products, many of them for export markets.

The Treasury Department has particular responsibility for two phases of the Administration's general program to stimulate faster application of technical achievements, and to strengthen our emphasis upon facing the challenges, and winning the rewards, of more rapid economic growth. While helping us to achieve the goals we have set for our domestic economy, these measures will strengthen our ability to meet international competition.

One measure, designed to encourage business generally, and to assist it in modernization of machinery and equipment, is

the 8 percent investment credit recently recommended by this Committee. This will offer a powerful encouragement to American business to invest in new machinery and equipment.

A second measure is the Treasury Department's review of the guidelines for depreciation in all industries. Substantial reductions in the suggested useful lives of equipment have already been announced for the textile industry. New guidelines will be announced for all other industries later this spring. Depreciation revision and the investment credit will powerfully assist American manufacturers to modernize and sell at competitive prices at home and abroad. These tax reforms should be especially valuable to United States producers who are, for competitive reasons, forced to speed their replacement of existing equipment with more efficient machinery.

A third tax measure is now proposed. It appears as Section 317 of the Trade Expansion bill. Firms found to be eligible for adjustment assistance as a consequence of increased imports could be given tax relief in the form of a five-year carry-back of net operating losses, as contrasted with the usual three-year carry-back. The additional carry-back provided by the adjustment assistance provisions of the bill would permit a firm suffering a net operating loss resulting from import competition to receive a refund of taxes paid in previous years. The firm, in accordance with its readjustment plan, would be able to use such tax refunds to finance new investments designed to restore profitable operation.

Other forms of adjustment assistance which the bill would authorize include loans, technical assistance to firms, and special readjustment, training, and relocation benefits for workers.

The impact of imports will be gradual enough to allow almost all of the readjustment to be accomplished through normal retirements of workers, through normal write-offs and abandonment of obsolete production equipment, and the like, just as is the case in response to domestic competition. The adjustment assistance provisions, plus the escape clause, which will be retained, are intended to take care of the cases of hardship that are likely to arise.

The expenditure for adjustment assistance to firms is not expected to exceed $50 million annually, even after five years, when the program approaches full operation. As the program is continued over a period of years, any outlays would be offset to an increasing extent by repayments on prior loans. The additional expenditures arising from benefits to workers are not expected to exceed $20 million annually.

In closing, I want to emphasize my personal conviction that the Trade Expansion bill is one of the indispensable tools which must be provided to allow our nation to move toward the full realization of its opportunities for economic growth, and toward mutually advantageous economic association with the rest of the Free World.

If we decide not to press for wider trading opportunities, what developments should we expect? I would hope that most

of our trading partners would resist any new resort to increased tariffs against us, involving deliberate action to curtail our trade opportunities. But, as internal tariffs in the Common Market disappear, and if we have not been able to bargain down the outside tariff wall of the Common Market, it may well prove impossible for the United States to avoid serious shrinkage of our trade surpluses from the levels which are already proving inadequate.

H.R. 9900 has been carefully developed to meet our need for more far-reaching trade negotiations. I consider that the trade adjustment program is financially sound and that it will furnish, at reasonable cost, justified assistance to firms and their employees encountering unusual difficulty in adjusting to changes in tariff rates. I am convinced that trade legislation of this scope is essential if we are to achieve and maintain a reliable balance between our foreign payments and receipts in the years ahead.

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For Release on Delivery

Remarks of Robert A. Wallace,
Assistant to the Secretary of Treasury
Before the 8th Annual Tax Symposium of the
American Cotton Manufacturing Institute
Poinsett Hotel, Greenville, South Carolina
March 15, 1962, 8:00 p.m.

Blocking Recessions with Flexible Fiscal Policies

The recent January flat spot now appears to have been no more than a blip on our economic radar screen. But it should serve to remind us that the economy does not always move in an upward direction; it can and does move downwards as well. The January experience was a leveling-off rather than a dip, but it should serve as a warning to us.

Recessions will continue to plague the country periodically unless we develop more effective weapons to combat them. Thus students of taxation and economic policies should give immediate study to the President's three anti-recession proposals. Two of the three provide for standby presidential authority -- the first, to make temporary reductions in individual income tax rates and the second, to step up public works. The third proposal is for a permanent strengthening of the unemployment compensation system.

All three proposals will be extremely useful, but a program which permits prompt action on temporary tax reductions promises to be a particularly effective gun for dropping an onrushing recession dead in its tracks.

As the President has observed, recurrent recessions have thrown the postwar American economy off stride while the economies of most other major industrial countries have moved steadily ahead. Not only has this caused the misfortune and misery of unemployment and the waste of our productive resources; it has also interfered with the growth in our basic productive potential.

Since World War II, we have had no less than four recessions. Our ability to ease credit conditions through Federal Reserve policies and debt management has helped to keep these downswings from spiraling into depression. But these policies alone have not been adequate to stave off these downswings. Monetary ease has been a positive factor in preventing credit contraction and forced liquidations from adding additional downward pressures. But it has not assured and cannot assure that businessmen and individuals would borrow to spend during a period of declining incomes, growing unemployment, and idle capacity. The central problem under these conditions is to increase purchasing power and spending, and tax reductions and increased expenditures act directly to that end. Thus, fiscal policies must be made more flexible in order to vary the amount of total purchasing power to harmonize with specific needs.

The President already has some degree of discretion to boost demand by accelerating expenditures to provide new purchasing power. Such action undoubtedly helped to restore recovery a year ago. This authority by itself, however, is severely limited, both as to the amounts available and the programs which can be affected.

The three anti-recession proposals of the President are all aimed at the central problem of sluggish demand. A temporary tax rate reduction can be the most effective of the three, however, both because it can be effected promptly and because the amount of the reduction can be geared to the need. Unfortunately, it is generally considered to be the most novel and controversial of the President's three proposals.

Certainly the constitutional prerogatives of Congress with respect to taxation must be zealously guarded. That is why any presidential authority to invoke temporary tax cuts must be subject to congressional veto.

But in the war against recession there may not be time to wait. If we are to block recessions, before they have become serious, there is need for this authority to initiate action. Congress must have the power to overrule his actions, but the President needs to be able to act quickly.

Presidential authority to deal effectively with recessions is a logical next step in improving the economic

environment in which American business and consumers make their decisions. The Federal Reserve System, created a half century ago, regularized banking and credit after the financial panics of 1903 and 1907. Securities laws stopped the blatant abuses in the stock market which led to the 1929 crash and insurance of bank deposits ended the fears which had led to runs on banks so prevalent in the early 1930's. The Employment Act of 1946 committed the Federal Government "to promote maximum employment, production and purchasing power."

Creating weapons necessary to fight recessions before they get fully underway and generate momentum is in harmony with these traditions. And now the Commission on Money and Credit with its diverse membership drawn from banking, business, government and labor has fully recognized the need for such programs in the fiscal area as the National Monetary Commission in 1908 recognized the need for flexibility in monetary policy. That commission endorsed tax flexibility.

Of course, there remain details to be discussed and debated. Congressional powers must not be weakened. We need safeguards, and the provision of adequate standards to be met before permitting such authority to be invoked. But we must not allow these details to bury the weapons or render them ineffective. And we should take action before another recession is upon us.

The Congress has, under similar restrictions, delegated to the President the authority to negotiate changes in tariff rates under the Reciprocal Trade Agreements Act. Under the administrations of four Presidents, Congress has seen fit to continue this authority, judging, in effect, that the standards it has laid down have been carefully adhered to. The President's proposal for discretionary authority to alter income tax rates is hedged with similar, or even more stringent restrictions, since he has suggested that

(a) there be a limit on the amount of the temporary reduction -- not more than 5 percentage points lower than the rates permanently established by the Congress -- and that the reduction would apply uniformly to all individual tax rates.

(b) the change would not take effect until 30 days after submission and that it could be rejected by a joint resolution of the Congress.

(c) it would terminate after six months unless renewed by the same process or through a concurrent resolution of the Congress.

(d) if Congress were not in session, the proposal would take effect automatically but would terminate 30 days after Congress reconvened subject to extension on the original basis.

A temporary across-the-board reduction in individual income tax rates can be a powerful safeguard against cumulative recession. For each percentage point reduction in rates, for a six-month period, tax collections would be reduced by about $1 billion, which would be reflected immediately in lower withholding deductions and higher take-home pay. Such a timely injection of new purchasing power should help to sustain and even stimulate consumption expenditures.

In our free enterprise economy, fluctuations in business and consumer spending will, of course, always occur. We have not conquered the business cycle. The problem is to assure that the resulting fluctuations in the overall level of economic activity are neither large nor self-perpetuating and cumulative. Our post-war experience has, generally, been passable in terms of our own earlier experience. Nevertheless, the object lesson provided by other industrial nations indicates clearly that the time is ripe and the need apparent to equip ourselves to act more promptly, more flexibly, and more forcefully to stabilize the economy than we have been able to do.

We ask no immediate, hastily considered action. But the time for working out details is now. We should move quickly in order to establish our defenses against the next economic onslaught.

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Mr. Heffelfinger is a member of the Treasury Department Management Committee and the Treasury Department Wage Board. He has served as a member of the Treasury Insurance Committee, the Treasury Department Awards Committee, and the Committee on Enrollment and Disbarment. In addition, he was Secretary-Treasurer of the War Finance Corporation in liquidation (1933-39), and Assistant to the Director General of Railroads, U. S. Railroad Administration in liquidation (1938-39) and financial adviser to the U. S. Economic Survey Mission to the Philippines (1950).

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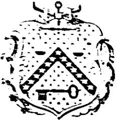
Copies of the correspondence between Secretary Dillon and Mr. Heffelfinger are attached.



THE SECRETARY OF THE TREASURY
WASHINGTON

March 15, 1962

Dear Bill:

It is with deep regret that I accept your decision to leave the position of Fiscal Assistant Secretary and to apply for retirement.

I know from over a year of personal experience of the high standards of competence and diligence you bring to your work and which you instill in your subordinates. Your contributions to the work of the Treasury, in the fiscal and many other areas, have been outstanding and in many ways unique during this period.

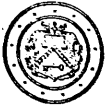
Although I can speak from firsthand knowledge of but a small fraction of the more than four decades of your work in the Treasury, I know from my predecessors and from many of your present and former associates within and outside the Government how important your role has been and how dedicated your service.

You can indeed be proud of this record of devotion to your fellow Americans. You will be sorely missed. You take with you my very best wishes for the future.

Sincerely,

Douglas Dillon

Mr. William T. Heffelfinger
Fiscal Assistant Secretary
Treasury Department



Fiscal Assistant Secretary

Treasury Department
Fiscal Service
Washington

March 7, 1962

Dear Mr. Secretary:

As I told you near the end of last year, I am electing to voluntarily retire from the position of Fiscal Assistant Secretary. Accordingly, I am submitting today my application for retirement under the Civil Service laws and regulations, effective March 31, 1962. On this date I will have completed 44 years and 8 months of continuous service in the Treasury. During this period I have worked on or have been closely associated with, the outstanding fiscal operations of the Treasury. This has been an interesting and rewarding experience.

In taking leave of my present position, I can report that the constituent units of the Fiscal Service - the Bureau of Accounts, the Bureau of the Public Debt and the Office of the Treasurer of the United States - are operating at a high rate of efficiency. These bureaus are supervised and staffed by capable and conscientious men and women who can be counted upon to continue their outstanding service to the Treasury.

I want to express my appreciation of the help I have received from you and your staff, and the other officers and employees of the Treasury with whom I have had the privilege to work with.

If I can ever be of service to the Treasury in the future, please do not hesitate to call me.

Sincerely,

William T. Heffelfinger

Hon. Douglas Dillon

Secretary of the Treasury

Mr. Heffelfinger's operations are widely known to the nation's banking community. He deals with officials of some 11,000 commercial banks in the management of the Treasury's cash position, which involves the administration and constant use of Treasury deposit accounts in these institutions.

An example of the many innovations credited to him is the fact that the Federal Government today delivers checks and Savings Bonds more promptly to the millions of Americans who work for the government and to whom it owes money. Furthermore, taxpayers are being saved at least $12 million annually by having this entire process on an automated basis.

More than 400 million checks are produced and accounted for by this modern process, and some 140 million Savings Bonds are issued, audited, recorded and retired annually. Mr. Heffelfinger, incidentally, is responsible for the adoption of the now-familiar punch-card type of Savings Bonds, essential to the new process.

In recent months Mr. Heffelfinger has devoted much of his time to operations designed to meet the Nation's critical international balance of payments problems. In so doing, he has represented the Treasury abroad, and in other ways helped to develop a greater degree of cooperation between the United States and financial officials of other countries.

Since 1955, he has been the Treasury's representative on the Joint Financial Management Improvement Program, which has instituted a number of advances in government accounting practices and financial procedures.

Mr. Heffelfinger was promoted to the position of Assistant to the Under Secretary in 1940, and was named Assistant to the Fiscal Assistant Secretary in 1945. On June 19, 1955, he succeeded to the position of Fiscal Assistant Secretary, created in 1940, under the provisions of Reorganization Plan No. III, which also established the Fiscal Service in the Treasury. He is one of the few career civil servants occupying a position subject to the Civil Service Act who is specifically designated as an assistant secretary.

Mr. Heffelfinger was born in Washington, D. C., July 3, 1903. He attended the public schools in the District of Columbia, and in 1927 received the degree of Master of Commercial Science from Southeastern University, Washington. In 1959, he received an honorary LL.D. from the same University. In 1956, he received the Career Service Award from the National Civil Service League. This award is given annually to civil servants who typlify the best traditions of the Federal Service.

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 16, 1962

FOR RELEASE A.M. NEWSPAPERS,
Monday, March 19, 1962.

W. T. HEFFELFINGER TO RETIRE AFTER
45 YEARS TREASURY SERVICE

Mr. William T. Heffelfinger, Fiscal Assistant Secretary of the Treasury, and one of the highest ranking career Civil Service officials in the Government, will retire at the end of this month after nearly 45 years of continuous service with the Treasury Department. He joined the Treasury as a messenger on August 1, 1917, at the age of 14.

The announcement was made today by Treasury Secretary Douglas Dillon, who said it was "with deep regret" that he accepted Mr. Heffelfinger's decision to retire. "Your contributions to the work of the Treasury, in the fiscal and many other areas, have been outstanding and in many ways unique," Secretary Dillon wrote in his letter.

The Secretary designated Mr. J. Dewey Daane, Deputy Under Secretary for Monetary Affairs, to serve temporarily as Acting Fiscal Assistant Secretary beginning April 1. Mr. Daane will also continue to serve in his present capacity.

Mr. Heffelfinger, who has been in charge of the Fiscal Service since 1955, reported to the Secretary that the Service was "operating at a high degree of efficiency", and that its units are "supervised and staffed by capable and conscientious men and women who can be counted upon to continue their outstanding service to the Treasury."

As head of the Fiscal Service, Mr. Heffelfinger is in charge of the Treasury's Bureau of Accounts, the Bureau of the Public Debt, the Office of the Treasurer of the United States, and the Office of Defense Lending.

Mr. Heffelfinger operates under the direction of the Under Secretary for Monetary Affairs, Robert V. Roosa, who said: "Mr. Heffelfinger combines a knowledge of the entire range of government accounting systems with a deep understanding of the objectives of the fiscal process. Because of this particular ability, his counsel has prompted many of the innovations in Treasury policies and procedures over the past quarter-century."

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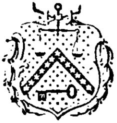

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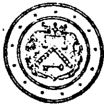


FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

March 7, 1962

Dear Mr. Secretary:

As I told you near the end of last year, I am electing to voluntarily retire from the position of Fiscal Assistant Secretary. Accordingly, I am submitting today my application for retirement under the Civil Service laws and regulations, effective March 31, 1962. On this date I will have completed 44 years and 8 months of continuous service in the Treasury. During this period I have worked on or have been closely associated with, the outstanding fiscal operations of the Treasury. This has been an interesting and rewarding experience.

In taking leave of my present position, I can report that the constituent units of the Fiscal Service - the Bureau of Accounts, the Bureau of the Public Debt and the Office of the Treasurer of the United States - are operating at a high rate of efficiency. These bureaus are supervised and staffed by capable and conscientious men and women who can be counted upon to continue their outstanding service to the Treasury.

I want to express my appreciation of the help I have received from you and your staff, and the other officers and employees of the Treasury with whom I have had the privilege to work with.

If I can ever be of service to the Treasury in the future, please do not hesitate to call me.

Sincerely,

William T. Heffelfinger

Hon. Douglas Dillon

Secretary of the Treasury

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 February:

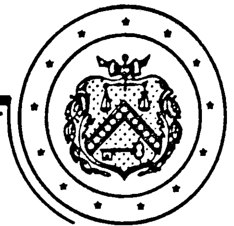
Purchases $86,655,000.00

Sales 39,505,700.00

Net Purchases $47,149,300.00

151

TREASURY DEPARTMENT



WASHINGTON, D.C.

~~February 15, 1962~~
March 16, 1962

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~JANUARY~~ FEBRUARY

During ~~January~~ February 1962, 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 ~~$76,911,700~~. $47,149,300.

oOo

~~D-392~~
D-430

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 16, 1962

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN FEBRUARY

During February 1962, 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 $47,149,300.

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D-430

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

March 16, 1962

REPORTS BY FEDERAL RESERVE DISTRICTS
OF SUBSCRIPTIONS TO CURRENT ADVANCE REFUNDING

The Treasury Department announced today the results of the current advance refunding offer of:

4% Treasury Bonds of 1971, due August 15, 1971, in exchange for 3% Treasury Bonds of 1964, due February 15, 1964, and 2-5/8% Treasury Bonds of 1965, due February 15, 1965;

4% Treasury Bonds of 1980 (additional issue), due February 15, 1980, in exchange for 2-5/8% Treasury Bonds of 1965, due February 15, 1965; and

3-1/2% Treasury Bonds of 1990 (additional issue) due February 15, 1990, and 3-1/2% Treasury Bonds of 1998 (additional issue) due November 15, 1998, in exchange for 2-1/2% Treasury Bonds of 1967-72, due June 15, 1972, September 15, 1972, and December 15, 1972.

Total subscriptions amount to $5,197.7 million, which includes $4,197.0 million exchanged by public holders and $1,000.7 million exchanged by Government Investment Accounts.

FEDERAL RESERVE DISTRICT	4% BONDS OF 1971	4% BONDS OF 1980 (Additional Issue)	3-1/2% BONDS OF 1990 (Additional Issue)	3-1/2% BONDS OF 1998 (Additional Issue)
Boston	$ 87,252,500	$ 6,880,500	$ 27,870,500	$ 21,140,000
New York	1,076,911,000	273,481,000	345,460,000	404,709,500
Philadelphia	89,997,500	4,771,000	57,092,500	25,509,000
Cleveland	97,753,500	9,935,500	40,567,500	27,061,000
Richmond	45,720,000	5,588,000	26,603,500	18,550,000
Atlanta	74,259,500	8,249,500	12,463,500	10,286,500
Chicago	437,843,500	32,311,500	86,664,000	50,993,000
St. Louis	91,045,000	4,759,000	14,889,000	18,625,500
Minneapolis	77,668,500	1,724,500	5,870,000	5,110,000
Kansas City	97,980,500	9,647,000	10,570,500	69,443,500
Dallas	90,954,500	12,390,500	20,781,500	24,121,000
San Francisco	145,752,500	12,384,500	30,210,000	26,757,000
Treasury	6,136,500	1,929,000	2,415,000	9,910,000
Govt. Inv. Accts.	385,429,000	176,869,000	217,815,000	220,569,500
Totals	$2,804,704,000	$560,920,500	$899,272,500	$932,785,500

Additional details relating to these subscriptions were announced on March 12.

D-431

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
MONDAY, MARCH 19, 1962

ADDRESS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE
THE TAX EXECUTIVES INSTITUTE
SHOREHAM HOTEL, WASHINGTON, D.C.,
MONDAY, MARCH 19, 1962
9:30 A.M., E.S.T.

The United States is the richest, the strongest, and the most productive nation on earth -- but we are still well short of our vast potential. There is no automatic way of closing the gap between what we are and what we could be. That gap can be narrowed in only one way -- by accelerating our rate of economic growth.

We must grow faster if we are to provide employment for our expanding labor force and find new jobs for workers displaced by technological progress.

We must grow faster to increase business opportunities and profits.

We must grow faster to ensure the benefits of the world's highest standard of living to all of our people.

We must grow faster if we are to help the peoples of the emerging nations to improve their standards of living within the framework of free institutions.

We must grow faster to demonstrate the vitality of a free market economy to those in the emerging nations who may be influenced by Communist boasts of the superiority of a controlled economy.

And we must grow faster to ensure that the future will find us able to meet our heavy defense commitments both at home and around the world.

We can ignore the need for rapid economic growth only at our peril, for economic strength is essential to our survival as a free and prospering nation.

Growth has become such an imperative American goal that all of our national policies must take it into account. Nowhere is this more important than in the field of tax policy, because our present tax system does not contribute enough to faster growth.

To grow more rapidly, we must, among other things, raise our level of productive investment. We must use our tax laws to make such investment more attractive and to foster a strong flow of investment funds. That is the aim of the Administration's plan for depreciation reform -- a two-fold program which includes the proposed tax credit for new investment and the revision of existing depreciation guidelines.

Depreciation revision began last October with the announcement of new guidelines for machinery and equipment used by spinning and weaving mills in the textile industry. In January, we brought out new guidelines for the apparel part of the industry. Last month, revisions were published for the machinery and equipment used by hosiery and knitwear producers, thus completing depreciation revision for textiles, which President Kennedy had ordered expedited as part of his overall program to assist that struggling industry.

Depreciation studies for all other industries are now well advanced and the new guidelines will be in effect by late Spring.

In setting guidelines, we are giving careful attention to the pace of technological change and obsolescence as a standard for judging the useful "lives" of productive equipment. And in attempting to determine actual and potential rates of obsolescence, we will not be bound by the obsolete notion that equipment is still usable as long as it remains in good working condition. That is the narrow concept of "physical" life. To the greatest extent possible, we will consider the "economic" life of machinery and equipment. For a 25-year-old machine may still run well enough, but its economically useful life is over if a newer machine produces at a significantly lower overall cost per unit.

Establishing new depreciation schedules by that standard of obsolescence is no simple task -- especially when we are endeavoring to take into account, not only recent technological change, but that which is foreseeable in the near future. However, we do have a great deal of information on which to base our decisions, including two extensive statistical studies of depreciation practices initiated by my predecessor, Secretary Robert Anderson. They have been supplemented by recent engineering studies of six basic industries to give us a broad look at actual industry experience with technological change and obsolescence. In addition, the many conferences and meetings we have held with industry and trade association representatives and with their tax advisers have been most helpful

Although we have reached no final decisions on new depreciable lives for any industry other than textiles, the general shape of the revision is becoming clear. We shall move to shorter and more realistic depreciable lives, and, in addition, put into effect a truly significant simplification of Bulletin "F". This audience is well aware that Bulletin "F", with its suggested useful lives for some

5,000 items of depreciable property, is a morass of detail. We intend to substitute a set of guideline lives for broad classes of assets in each of our industries.

But administrative revision of depreciation, important though it is, is not enough. If our economy is to grow and prosper, it is essential that our industry meet the highest standards of efficiency. Our prized American standard of living means higher wages for our workers than for workers elsewhere. If they are to be more highly paid, they must be more productive. And if they are to be more productive they must have the most modern equipment available anywhere in the world.

Our tax laws, as they presently stand, do not provide as great an incentive to modernize as do the laws of our major competitors. To place American industry on a comparable footing with industry elsewhere will require enactment of the proposed investment credit which will soon come before the House of Representatives.

Canada, Japan, and each of the seven major industrial nations of Western Europe provide first year depreciation write-offs for machinery and equipment -- including, in most cases, special incentive allowances -- that are much more generous thans ours. West Germany typically allows 20 percent and the first year total write-off in the other eight countries ranges upward from there to as high as 43.4 percent in Japan. The average first year allowance among all nine of these countries is 29 percent.

Compared with this, our own industry now averages a first year write-off of only 13.3 percent less than half that of our competitors. Under present depreciation practices, our industrial equipment has an average useful life of about 15 years. Even if we were to reduce this to 10 years -- and that would be unrealistically low -- our industry generally would be able to write off only 20 percent of the cost of its new assets in the first year: still a third less than our foreign competitors.

The proposed investment credit would dramatically change those figures. For with the eight percent investment credit, we could keep the average depreciable life of our equipment right where it is now, at 15 years, and our industry's total first-year cost recovery would amount to 29.3 percent. That would be fractionally better than the average of our major competitors and significantly higher than the first-year write-offs presently allowed in Belgium, France, Italy, the Netherlands, and West Germany. We do not, of course, expect average depreciable lives to remain at 15 years. To whatever extent they are reduced from that level, our future first-year write-offs will become relatively even more advantageous.

Enactment of the investment credit is the only feasible means of achieving this result. Alternative plans would provide much less incentive to modernization with much greater revenue losses to the government.

Our studies show, for example, that the proposed eight percent investment credit would improve the profitability of a typical 15-year asset by 30 percent, increasing the rate of after-tax return under double declining balance depreciation from 5.6 percent to 7.3 percent. To achieve the same increase in profitability by use of special depreciation write-offs would require a full 40 percent first-year depreciation allowance. Whereas the revenue loss from the proposed investment credit is estimated at only $1.8 billion in the first year, first year depreciation of 40 percent would reduce government tax collections by $5.3 billion. Over a five-year period, the credit would cost $9.9 billion in federal revenues, while achievement of the same result by 40 percent first-year depreciation would cost $24.1 billion.

The recently advanced proposal for a 20 percent increase in depreciation allowances would likewise produce far less stimulation per tax dollar lost. Its revenue cost in the first full year of operation would be $600 million and would rise thereafter as new equipment was installed, reaching $1.6 billion in the fifth year, and $3.0 billion in the tenth year. Over a ten-year period, the total cost of this proposal would be $17.9 billion, somewhat less than the $22.1 billion cost of the investment credit. But the credit would provide more than four times the stimulative effect in increased profitability of investment.

The proposed 20 percent increase in depreciation write-offs has been coupled by its sponsors with a one-shot, windfall tax allowance for distributors' inventories. This would cost $1-1/4 billion in its first year but would have only minor revenue impact thereafter. This proposed tax treatment of inventoris has many serious flaws, not the least of which is that it would increase taxes on small businesses at the very worst time -- when they are being forced to reduce inventories because of unfavorable business conditions.

As I have said, the suggested twenty percent increase in depreciation allowances does not even come close to the eight percent investment credit as a stimulus to business investment. Its effect would not even equal that of a two percent investment credit. The relative merits of the two proposals are most clearly seen when you realize that a full ninety percent increase in annual depreciation write-offs -- rather than a mere twenty percent -- would be required to achieve a rise in the profitability of investment equal to that attainable by the eight percent investment credit. And such a 90 percent increase would involve a cost over 10 years of well over three times that of the investment credit.

It is essential that we have the full increase in profitability inherent in the investment credit if our industry is to modernize and compete on even terms, both against imports into our home markets and in world export markets. If American industry is prevented from becoming fully competitive, it will cost us literally hundreds of millions of dollars a year in our balance of payments -- a loss we simply cannot afford. All Americans now recognize that the achievement of balance of payments equilibrium has become essential to our national security. Those who oppose the investment credit and suggest mere poultices in its place should be fully aware that in so doing they are contributing directly to a serious aggravation of our balance of payments difficulties.

Now pending before the Congress are two other changes in the tax treatment of depreciation which should have special interest for this audience:

The first, which has received inadequate public attention, would virtually eliminate one of the most difficult and controversial questions in the entire area of depreciation by changing the manner in which the prospective salvage value of depreciable assets is treated. We propose that taxpayers be permitted to ignore the whole issue of salvage value to the extent that such value does not exceed ten percent of the cost of the asset. This change would completely wipe out all problems concerning salvage value on the overwhelming majority of industrial assets.

The second proposed change tightens the tax laws governing earnings on sales of depreciable property. The reason for this goes far beyond our aim of tax equity. Adoption of the proposal to treat earnings from such sales as ordinary income is also an essential prerequisite to our efforts to simplify depreciation. Without this change, we will be thwarted in one of our major tax reform goals -- the elimination, to the greatest extent possible, of rankling controversy between business taxpayers and government tax agents for, once this provision is put into effect, errors made in determining the proper depreciable lives of equipment would no longer lead to tax windfalls on their sales. If we are to move forward with our plan for a broad category approach to the establishment of useful lives -- and with the proposed liberalized treatment of salvage value -- this modification is absolutely essential.

The Congress is also considering a number of other major tax changes designed to offset the revenue cost of the investment credit and to remove inequities in our tax system. We are gratified by the careful consideration they have received during exhaustive hearings and months of study by the House Ways and Means Committee. This extended discussion has helped to clarify areas where even the experts are sometimes less than certain. While the present bill, as modified by the Committee, is not as complete as we would like, it does represent a good start on our program of overall tax reform.

The pending bill establishes a system of withholding on income from interest and dividends, thereby assuring the collection of some $650 million annually in taxes which are legally owed but are not now being paid. There is absolutely no reason why those who receive income from interest and dividends and who year in and year out avoid the payment of more than $800 million in taxes due their government should not be subject to withholding -- just as wage and salary earners have been for twenty years. The withholding system will collect fully three times as much revenue as the proposed alternative of a vastly expanded interest reporting system. $200 million is the maximum that could be collected by this means and even this would call for literally thousands more revenue agents to run down possible tax evaders identified by automatic data processing.

Adequate safeguards to protect the current income of people with little or no tax liability are built into the Ways and Means Committee bill which completely exempts from withholding those who owe no tax on their dividends, their savings accounts or their savings bond interest. For those subject to tax, but to less than the amount withheld, prompt quarterly refunds are planned.

As for payors of interest or dividends, they will not be required to make detailed reports to the government identifying those to whom the payments have been made. In addition, they will be permitted to retain and to use the withheld taxes for certain specified periods. This provision is designed to help them offset the cost of the withholding system.

Other sections of the bill make additional important steps toward tax fairness:

-- The bill provides for more equitable taxation of mutual thrift institutions and mutual fire and casualty insurance companies - although they will still bear a relatively lighter tax load than their competitors.

-- It ends the existing possibilities for prolonged postponement of tax payments on the earnings of cooperatives, by taxing currently either the co-op itself or its patrons.

-- It makes a progressive move toward eliminating the widespread abuse of tax deductibility as a means of paying for much personal entertainment, travel, and recreation.

-- And, finally, it takes a major step toward ending the proliferating use of tax havens abroad as a device for avoiding U. S. corporate taxes. The data we now have, which we know is incomplete, shows that there are several thousand American-controlled subsidiaries in the Bahamas, Lichtenstien, Panama and Switzerland to name just the areas most often used -- and most of them appear to have tax avoidance as the main reason for their existence. While the Ways and Means Committee bill does not go as far as we would like toward ending the advantageous tax treatment of income earned from overseas operations, it will certainly curb the most obvious abuses. As in

the case of the investment credit, over balance of payments difficulties make it essential that we move ahead vigorously in this area.

The pending tax bill, as you know, represents only a first step in a comprehensive program of tax reform which this Administration is undertaking. Our fundamental goal of more rapid economic growth underlies every aspect of that program.

Growth is the basic consideration behind the President's recent request for authority -- subject to Congressional concurrence -- to reduce tax rates temporarily by as much as five percentage points in the early stages of a recession. For recessions, with their utter waste of manpower and resources, constitute the greatest of all setbacks to economic growth. We hope to increase our ability to mitigate these periodic slumps through the use of a flexible tax policy which will add to consumer purchasing power -- and thus to overall economic activity -- during times when that is most essential.

Growth is also a primary objective of our overall tax reform bill, which will be presented to the Congress later this year.

Our present tax system does not make the maximum possible contribution to our goal of economic vitality. For example, it makes investment in some kinds of business activity, such as speculative real estate transactions, more attractive than investment in other forms of business enterprise that contribute more to a growing economy.

Not the least of the economically undesirable consequences of our present tax law is the fact that it diverts highly skilled talent from the making of fruitful business decisions to the pursuit of the legal avoidance of tax liabilities. I need not spell that out for this particular audience.

Simplifying our tax structure, and making it more equitable, is essential if our nation is to achieve its economic potential. The job must be done even though there is little prospect, for the immediate future, of our being able to afford a truly significant reduction in the total amount of our tax bill.

That amount is not, in fact, as burdensome as has sometimes been claimed. Our federal taxes are much less, as a proportion of total national income, than they have been at various times in the past. And our combined federal, state and local tax load is smaller, proportionate to either national income or gross national product, than the taxes borne by the citizens and businesses of six of our major allies, five of which have steadily maintained a rate of economic progress considerably in excess of our own.

Those who reject our concept of tax reform to be achieved largely through a broadening of the tax base and urge instead massive reductions in tax rates -- without any provision for compensating revenue -- are simply refusing to recognize that such a course would leave us no alternative but withdrawal from our world commitments and neglect of our pressing needs at home -- a course that would be entirely unacceptable.

Tax rates can be cut. That is what our overall tax reform program will be all about. Our aim is to reduce tax rates for all by eliminating the special tax privileges of some -- while at the same time maintaining the revenues needed to fulfill our national commitments.

The tax burden imposed by our urgent needs at home and by our inescapable leadership of the free world is a heavy one. But it can be borne.

The price of freedom may be high -- but the day our citizens think it is too high will be the day when freedom has no future.

I do not think that day will ever come.

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FOR RELEASE A. M. NEWSPAPERS, Tuesday, March 20, 1962.

March 19, 1962

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 December 21, 1961, and the other series to be dated March 22, 1962, which were offered on March 14, were opened at the Federal Reserve Banks on March 19. Tenders were invited for $1,200,000,000, 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 June 21, 1962		182-day Treasury bills maturing September 20, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.326	2.666%	98.561 a/	2.846%
Low	99.317	2.702%	98.553	2.862%
Average	99.320	2.689% 1/	98.557	2.854% 1/

a/ Excepting one tender of $250,000 2.804 — 2.972

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

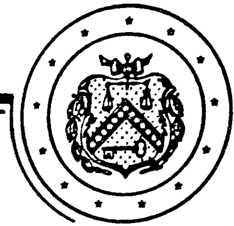
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 48,282,000	$ 30,570,000	$ 2,772,000	$ 2,372,000
New York	1,539,622,000	752,823,000	965,911,000	492,321,000
Philadelphia	28,314,000	13,002,000	7,467,000	2,467,000
Cleveland	33,164,000	28,131,000	38,026,000	22,998,000
Richmond	19,276,000	18,926,000	3,187,000	2,857,000
Atlanta	27,929,000	20,069,000	7,785,000	6,835,000
Chicago	197,510,000	140,510,000	97,488,000	30,828,000
St. Louis	38,392,000	30,292,000	7,475,000	5,475,000
Minneapolis	18,813,000	10,538,000	5,568,000	3,068,000
Kansas City	28,287,000	24,957,000	8,723,000	7,123,000
Dallas	23,412,000	21,162,000	6,729,000	4,729,000
San Francisco	158,750,000	109,579,000	31,052,000	19,007,000
TOTALS	$2,161,751,000	$1,200,559,000 b/	$1,182,183,000	$600,080,000 c/

b/ Includes $227,893,000 noncompetitive tenders accepted at the average price of 99.320
c/ Includes $60,670,000 noncompetitive tenders accepted at the average price of 98.557
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.74%, for the 91-day bills, and 2.94%, 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-433

TREASURY DEPARTMENT



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D-433

U. S. border forces of Customs, Immigration, Public Health and Agriculture with authorization to perform each other's services under a system of coordinated supervision.

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The Citizen's Task Force was appointed last year by Secretary Dillon to assist the Customs Service in current efforts to modernize methods used in inspecting baggage and receiving inbound travelers. The task force study was conducted from July through October 1961, at all the principal ports of entry in the United States and at several ports in foreign countries. Secretary Dillon said the report was "a valuable and timely contribution to the administration of our Customs laws."

The task force study, which was made public February 21, contained some 32 recommendations. They included a broad informational program to inform travelers of Customs requirements and procedures; improved methods of selecting and training inspectors and that more of them learn foreign languages, customs valuations based on the price paid by the traveler for an imported article and a flat rate of duty; improved passenger and baggage inspection facilities and the exclusion of visitors from air and steamship piers; and the combining of certain activities of the

For Immediate Release

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March 19, 1962

~~DRAFT - 3/7/62~~

TREASURY COMMITTEE TO STUDY RECOMMENDATIONS
FOR IMPROVED CUSTOMS PROCEDURES

Treasury Secretary Douglas Dillon today appointed a steering committee to study recommendations made by a Citizens Task Force to improve Customs procedures and facilities for incoming foreign tourists and U. S. citizens returning from abroad.

James A. Reed, Assistant Secretary of the Treasury, was named Chairman of the steering committee by the Secretary. Other Treasury officials on the committee are Robert H. Knight, General Counsel, A. E. Weatherbee, Administrative Assistant Secretary, Dixon Donnelley, Assistant to the Secretary for Public Affairs, Philip Nichols, Jr., Commissioner of Customs, David B. Strubinger, Assistant Commissioner of Customs, and Joseph J. Burton, Deputy Collector in charge of the Air Transport Division in the office of the Collector of Customs in New York City. John J. Murphy, President of the National Customs Service Association, representing Customs employees, and Voit Gilmore, Director of the U. S. Travel Service, Department of Commerce, will also serve on the steering committee.

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 19, 1962

FOR IMMEDIATE RELEASE

TREASURY COMMITTEE TO STUDY RECOMMENDATIONS FOR IMPROVED CUSTOMS PROCEDURES

Treasury Secretary Douglas Dillon today appointed a steering committee to study recommendations made by a Citizens Task Force to improve Customs procedures and facilities for incoming foreign tourists and U. S. citizens returning from abroad.

James A. Reed, Assistant Secretary of the Treasury, was named Chairman of the steering committee by the Secretary. Other Treasury officials on the committee are Robert H. Knight, General Counsel, A. E. Weatherbee, Administrative Assistant Secretary, Dixon Donnelley, Assistant to the Secretary for Public Affairs, Philip Nichols, Jr., Commissioner of Customs, David B. Strubinger, Assistant Commissioner of Customs, and Joseph J. Burton, Deputy Collector in charge of the Air Transport Division in the office of the Collector of Customs in New York City. John J. Murphy, President of the National Customs Service Association, representing Customs employees, and Voit Gilmore, Director of the U. S. Travel Service, Department of Commerce, will also serve on the steering committee.

The Citizen's Task Force was appointed last year by Secretary Dillon to assist the Customs Service in current efforts to modernize methods used in inspecting baggage and receiving inbound travelers. The task force study was conducted from July through October 1961, at all the principal ports of entry in the United States and at several ports in foreign countries. Secretary Dillon said the report was "a valuable and timely contribution to the administration of our Customs laws."

The task force study, which was made public February 21, contained some 32 recommendations. They included a broad informational program to inform travelers of Customs requirements and procedures; improved methods of selecting and training inspectors and that more of them learn foreign languages; customs valuations based on the price paid by the traveler for an imported article and a flat rate of duty; improved passenger and baggage inspection facilities and the exclusion of visitors from air and steamship piers; and the combining of certain activities of the U. S. border forces of Customs, Immigration, Public Health and Agriculture with authorization to perform each other's services under a system of coordinated supervision.

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4970

THE WHITE HOUSE
WASHINGTON

March 16, 1962

Honorable Douglas Dillon
Secretary of the Treasury
Washington 25, D. C.

Dear Mr. Secretary:

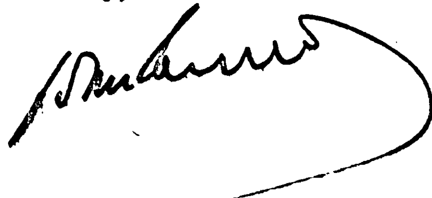
Subject to the provisions of the following paragraphs of this letter, I delegate to the Secretary of the Treasury the authority conferred upon the President by that part of section 204 of the Agricultural Act of 1956 (70 Stat. 200; 7 U.S.C. 1854) which reads "the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such commodity, product, textiles, or textile products to carry out any such agreement."

The above-described authority is delegated only in respect of textiles and textile products and also only in respect of "Arrangements regarding international trade in cotton textiles", done at Geneva July 21, 1961.

The Secretary of the Treasury is authorized to administer the regulations issued by him under the foregoing provisions of this letter. In any individual cases of importation or withdrawal from warehouse of textiles or textile products which may arise, (1) the Interagency Textile Administrative Committee is authorized to recommend to the Secretary of the Treasury the actions to be taken by the Secretary, and (2) the Secretary shall take action governing importation or withdrawal from warehouse of textiles or textile products only upon such recommendation of the Interagency Textile Administrative Committee.

Please see that this letter is published in the Federal Register.

Sincerely,



PRESIDENT AUTHORIZES ~~SECRETARY OF THE~~ TREASURY TO ~~ISSUE~~ AND ADMINISTER REGULATIONS FOR TEXTILE IMPORTS

The Treasury Department today released the following letter from the President to Secretary Dillon authorizing him to issue and administer regulations governing the importation of textiles and textile products in accordance with the Geneva agreement of July 21, 1961:

Pick up text

The regulations are expected to be issued shortyl.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE
March 20, 1962

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Sincerely,

/s/ John F. Kennedy

The regulations are expected to be issued shortly.

D-435

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TREASURY DEPARTMENT

167

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

March 20, 1962

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D-435

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existing inequities have been eliminated, and until tax policy has been made a more positive stimulus to our nation's economic growth. All this must be done within a framework of courteous, efficient and effective administration with one overriding principle -- absolute fairness to every single taxpayer.

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The rest of our current tax program centers around measures to improve the fairness and effectiveness of the tax laws, including withholding on dividends and interest, elimination of abuses of expense accounts, repeal of the dividend exclusion and credit, removal of special advantages to investment abroad, and removal of the tax preferences that are no longer justified for mutual fire and casualty insurance companies, mutual savings banks, and savings and loan associations.

With these improvements, and with the overall reform in our tax laws which President Kennedy has called for -- and which we intend to submit to the Congress later this year -- we can look forward to further progress.

That progress will continue, until the present complicated maze of tax law has been simplified as much as possible; until

productive efficiency, expand its sales against foreign competition, and provide more jobs. Along with our other tax proposals, this program will contribute to domestic economic growth and to stemming our gold drain by increasing our exports.

This tax policy emphasis on domestic investment is an important part of our overall economic policy. Increasing our investment in productive equipment is an important reason for having a balanced Federal budget, to assure that Government borrowing does not interfere with the flow of funds for such use. It is also behind our monetary policy of relative ease, to assure that business can borrow funds in adequate amounts at reasonable rates for increased investment. Such investment, by encouraging business to modernize equipment, and increase efficiency, is, we believe the soundest way of increasing our domestic growth rate and eliminating our balance of payments deficits.

places in the fairness and efficiency of the Internal Revenue Service, as well as the general realization that our taxes support programs essential to the safety and welfare of all the people of the United States.

We must, however, continue to improve our tax system. We will continue to need not only competent and dedicated administrators, but modernization and simplification of the tax laws themselves. This is a long-range task and we cannot expect to accomplish it all at once. For the present, we are gratified by the consideration being given in the Congress to President Kennedy's tax recommendations -- particularly the proposal for an incentive credit for businesses which invest in new machines and equipment. This -- together with the overall revision of depreciation schedules we are now in process of carrying out -- will help American business increase its

The Internal Revenue Service has also pioneered in the use of automatic data processing in tax administration. This new system has already begun to function in the seven Southeastern states and will be expanded during the next few years to all the other areas of the country. Recently the new National Computer Center of the Internal Revenue Service was opened in Martinsburg, West Virginia. There magnetic tapes, bearing taxpayer data from all over the country, will be electronically compared and recorded. This represents a truly historic advance in record keeping, in selecting returns for further examination, and in detecting delinquencies. To the taxpayer it means greater efficiency, and greater confidence that the burden of taxation will be shared fairly by all taxpayers.

The excellent rate of tax payments under our self-assessment system reflects the high confidence that the public

through self-assessment and only 3 billion dollars came from direct enforcement efforts.

This has come about because we realized long ago that undue coercion has no place in a free society. We have developed a professional organization of men and women trained in the law, in accounting, in modern processing techniques, and in the various other facets of tax administration. These people are trained to enforce the law and no more.

The development of this kind of professionalism is a continuing process. I have been pleased to note that, within the last year, important new programs have been added to further raise our standards. Among these have been increased emphasis on quality in audits, thoroughness in investigation, and methodical search for causes and cures of such problems as delinquent accounts and returns.

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SCHOOL RIGHT HERE IN (SO IT

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memories for him. He has also told me about the fine civic center which I understand will be developed around this spot. It is always pleasant to see a city -- especially such a fine city as this -- moving ahead.

This building is a symbol of that progress, and of another kind of progress as well -- the steady improvement in administration of our tax system. In this country, tax collecting has been developed in the tradition of free men who understand both their common responsibilities and their individual rights. No other country relies to such an extent on the self-assessment system. No other country has such a fine record of compliance as we have in America. Last year, for instance, a total of 91 billion dollars was collected

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF THE TREASURY DOUGLAS DILLON
AT THE DEDICATION OF THE NEW FEDERAL BUILDING
RICHMOND, VIRGINIA
MARCH 21, 1962

I am delighted to be here in the capital of Virginia on a very pleasant mission -- the dedication of this beautiful new Federal Building.

Ten Federal departments and agencies will do business here, but the Treasury Department -- primarily the Internal Revenue Service -- will occupy approximately two-thirds of it.

It was Congressman Gary who first invited me to be with you here today. I have had the pleasure of working closely with him on appropriations matters for the past five years, and I can tell you without hesitation that, in Vaughan Gary, you have one of the truly outstanding members of the House, a man whose influence for good is felt far beyond his particular committee assignments.

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

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the world, and we expect it will continue to do so. The trade program is an opportunity to demonstrate to the entire world the vitality and strength of our free market economy. I urge that you give it your strong support.

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to sell our goods in Western Europe, would certainly threaten the jobs of those who depend on exports.

We have no cause to fear competition on equal terms with the Common Market. Such competition will have broad benefits for us and for the entire free world. With the new trade legislation we can look forward to a strong free world community of thriving nations, with ever-expanding trade between them. Without it we face the possibility that tariff barriers will create a number of separate trading blocs, each the potential economic and political rival of the others. Delay or inadequate authority could encourage the Common Market to develop its new and growing markets without us, making it difficult or impossible for us to regain lost export markets at a later date.

We in this nation have never doubted our productive ability. It has given us the highest standard of living in

one-fortieth of one per cent of our labor force. Far more important, however, is the expected increase of jobs during the same period as a result of expanding exports. While it is impossible to make accurage measurements of such matters, Secretary Goldberg estimated, on the basis of past experience, that three times as many jobs would be created by new exports as would be lost through increased imports.

We must also consider the workers whose jobs now depend on exports, a group that far outnumbers the workers involved in imports, and take account of what trade means to them: One out of every eight farm workers produces for export, and nearly eight per cent of our employment in manufacturing is attributable to exports. In all, more than three billion workers directly or indirectly owe their jobs to exports. Failure to pass the trade program, by making it more difficult

to sell our

of hardship that are likely to arise. The expenditure for adjustment assistance to firms is not expected to exceed $50 million annually, even after five years, when the full effect of tariff cuts would be felt. As the program is continued over a period of years, any outlays would be offset to an increasing extent by repayments on prior loans. The additional expenditures arising from benefits to workers are not expected to exceed $20 million annually.

A fourth objection sometimes made to the trade program is that increased imports will take jobs away from American workers at a time when the United States needs to provide more jobs. Secretary of Labor Arthur Goldberg has estimated that over the five-year period during which tariff reductions would be put into effect, the nation as a whole would lose only 18,000 jobs a year as a result of rising imports -- only

one-fortieth of

readjustment, training, and relocation benefits for workers. In addition, eligible firms could get tax relief, by allowing a carry-back of operating losses over five years instead of three. This would permit some firms to get refunds of taxes paid in previous years. Such refunds could be used to finance investments designed to restore profitable operation.

A third objection is that such adjustment assistance will prove extremely expensive, and will provide a chronic drain on the Treasury. This is not the case, because the impact of increased imports will be gradual enough to allow almost all

RETIREMENT OF WORKERS

of the readjustment to be accomplished through the normal

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write-offs and abandonment of absolete production equipment, just as is the case in response to domestic competition. The adjustment assistance provisions, plus the escape clause, which will be retained, are intended to take care of the cases

would seriously damage domestic industries and hurt our economy. Quite the contrary, a major reason for the trade legislation is to provide further scope for growth. We are now importing about $15 billion worth of goods from abroad, but 60 per cent of our imports do not offer any serious competition to domestic products, either because there is no domestic production of the commodities involved, or because the commodities are not produced here in any significant quantity.

It would, however, be unrealistic to assume that no domestic industries will be injured. For that reason, President Kennedy has included in the proposed trade bill provisions for temporary assistance to such firms and workers. This assistance includes loans and technical assistance to affected businesses as well as special

is true that our wages are higher than foreign wages, but wages alone don't determine price. The important factor is overall unit cost, not hourly wage rates, and that is why we are emphasizing domestic investment, to keep overall unit cost down. Our high-wage industries often do better against foreign competition, both at home and abroad, than do our low-wage industries. An American coal miner, for example, is paid eight times as much as a Japanese miner, but produces 14 times as much coal. The result is that despite higher wages, we sell tens of millions of dollars worth of coal to Japan annually. It should also be remembered that rapid economic expansion in other industrialized countries has produced severe labor shortages, which, with other factors, are creating increasing upward pressure on foreign wages and prices.

Another objection is based on the belief that lowering our tariff barriers would result in a flow of imports that

additional 51,000 farm workers in this state were estimated to be involved in producing the more than $200 million worth of agricultural products exported from North Carolina. The top exporting industry in this state is the tobacco products industry, with almost $200 million in exports. It is significant that among the best customers for such products are France, Belgium, the Netherlands and Luxembourg -- four of the six members of the Common Market. The second major exporting industry was textile mill products, with more than $80 million exported from North Carolina in 1960.

The President's trade program then, is as important to North Carolina as it is to other states. It would not be fair to discuss it, however, without considering some of the objections that have been raised.

There are those who believe that our industry will be unable to compete against low-wage foreign competition. It

strict controls on imports of Japanese textiles have agreed to double their imports over the coming 5-year period. I would like to emphasize that this result was not accomplished through the unilateral, protectionist approach of imposing mandatory import quotas. Rather, the agreement was made under the auspices of the General Agreement on Tariffs and Trade and in a framework of mutual international consent. This shows that it is possible to work effectively with the other free nations of the world on problems which directly affect us here at home.

North Carolina also has a tremendous stake in our export trade. In 1960, for instance, North Carolina exported more than $600 million worth of goods to other nations. North Carolina sold abroad $400 million worth of manufactured goods giving employment to an estimated 28,000 workers. An

additional 51,000

sewing machines, the most important item used by apparel manufacturers, was cut from 15 to 9 years. This move will result in substantial savings to the textile and apparel industries in North Carolina. The investment tax credit I have already mentioned should be an even more potent source of help.

In addition, there was recently negotiated in Geneva an international cotton textile agreement which will have the effect of regularizing textile imports into the United States for the next five years. Under this agreement, no increase in imports over the level of the year ending June 30, 1961, is required for two years. Thereafter, the required annual increase in imports from all sources does not exceed 5 per cent, or 15 per cent over the 5-year period. On the other hand, the European countries which have traditionally kept

of total consumption in 1957 to 6 per cent in 1960, and last year President Kennedy promised to aid our domestic textile industry in meeting this problem. He appointed a Cabinet Committee on the textile industry which was headed by your own illustrious former governor, Secretary of Commerce Luther Hodges. This Committee, on which I also served, developed a seven-point program which was announced a little less than a year ago.

As part of that program, the Treasury gave top priority to a review of tax depreciation allowances on productive equipment in the textile and apparel industry, with the result that the guidelines for depreciable "lives" of such machinery were reduced by 40 per cent. This allowed manufacturers, to write off the cost of this machinery in 15 years, on the average, rather than 25. The guideline for

sewing machines,

Unquestionably, the Common Market presents a challenge, but opportunity far outweighs the risk. We must accept the challenge, which is simply a challenge to compete on equal terms. Failure to accept would involve risks far more serious than the threat of competition. We could not ignore this challenge and expect to maintain an adequate export trade, or expect to take full advantage of our potential for domestic growth. By failing to compete, we would take the chance of losing our place as the greatest trading nation in the world.

This audience is, of course, concerned with the particular interests of North Carolina, and I will take a moment to discuss them:

North Carolina's textile industry is outstanding, and the future of that industry is important to the entire state. Imports of textiles have increased from just over 2 per cent

of total

The potential that Western Europe's burgeoning markets has for our goods cannot be over-emphasized. Already our exports to the Common Market exceed our imports by more than 50 per cent, and Western Europe is expanding rapidly. New cars jam its highways -- three times as many as there were 10 years ago. If European consumption expands as ours has, the implications for American export opportunities could be extremely promising.

Furthermore, many familiar American products are still virtually unknown in Europe. As supermarkets, modern drug-stores and shopping centers become more and more numerous, and Western Europe develops a high-income, high-consumption economy similar to ours, American manufacturers will find this to be a market in which they can compete very effectively, because it will be so similar to their home market.

Unquestionably, the

products in which the United States and the Common Market provide four-fifths or more of world trade would be put in a "dominant supplier" group, on which tariffs could eventually be entirely eliminated. Other tariffs in general could not be reduced more than 50 per cent. Any tariff changes would go into effect gradually during a five-year transition period, and a proposed adjustment assistance program would help firms and workers affected by increasing imports to meet new conditions.

At present, our tariffs and those of the Common Market are at roughly the same average level. This is a good point from which to bargain. Passage of the new trade legislation would be the best insurance we could have for full reciprocity in tariff reduction, since across-the-board cuts by uniform percentages offer the best opportunity for obtaining full value in tariff cuts for any concessions we may make.

The potential that

President has under existing law. That law now requires item-by-item negotiation. The Common Market countries have found across-the-board bargaining for whole groups of items at a time the only practical method for their own tariff negotiations, hence, they have little interest in further item-by-item negotiation with us. The recent tariff negotiations between the United States, the six Common Market Countries, and 25 other nations at Geneva took 17 months. While they resulted in 20 per cent cuts in tariffs for most Common Market industrial items -- in exchange for smaller cuts in our tariffs -- our effective authority under the present law was exhausted. If we want further concessions from the Market countries, we must be prepared to negotiate for whole groups of items.

That is precisely the authority the Trade Expansion Act of 1962 would provide. Under the proposed legislation,

the Market, American producers would have to compete over a tariff wall -- a wall that for some products, in some nations, would be higher than it is today.

At present, our exports to the Common Market exceed our imports from it by $1.4 billion -- almost half of our commercial merchandise trade surplus. While a large proportion of this surplus is due to the sale of our agricultural products, including cotton, we also have a surplus of $300 million in trade in manufactured products -- exports of $2.3 billion, versus imports of only $2 billion. Our surplus with that area increased last year, but without reductions in the tariff wall around the Market, we could not expect further gains. On the contrary, we would expect our surplus to shrink.

Significant future reduction of the Market's outside tariff wall would be impossible with the type of authority the

President has

could touch off a round of wage-price inflation that could do serious damage to our export chances.

Furthermore, all our efforts to put our producers in a position to better compete with foreign producers will be meaningless if high tariff walls abroad keep our goods out of foreign markets.

That is just what will happen if Congress fails to give President Kennedy the trade legislation he has asked for. Without it, our negotiators cannot bargain down the tariff wall around the Common Market. And bargain it down we must. As internal trade barriers go down in Europe, the effect is to strengthen the external wall around the Market. Member countries are pledged to eliminate internal barriers, permitting their producers to sell duty-free anywhere within the Market by 1970. However, unless we negotiate access to

creating greater efficiency and competitive potential. Such policies include a balanced budget which will free funds to finance private investment instead of Government spending; monetary and debt management policies that help to assure adequate investment funds at reasonable long-term rates; the proposed tax credit for productive investment; and modernization of tax depreciation to encourage purchase of new equipment.

This broad program to stimulate investment -- and thereby bring our industries into step with foreign producers who have been modernizing more rapidly -- will put American business in a position both to expand sales abroad, and to better meet import competition in our home markets. However, it will be doomed to failure if we allow prices and wages to get out of hand. Wage increases in excess of average productivity gains

could touch off

share of the foreign aid burden in the future. But any effective cure for our continuing deficit will also require a larger trade surplus, and this means expanded exports. To illustrate: if our commercial exports last year had been only 14 per cent higher -- about one-half of one per cent of our overall national output -- our deficit would have been eliminated.

The Administration is taking steps to increase American sales abroad. These include special efforts to step up the flow of information on export opportunities and to make our producers more export-conscious, and a new and comprehensive export insurance program developed by the Export-Import Bank in cooperation with 57 casualty insurance companies. Almost all Administration economic policies are designed to spur domestic investment in productive equipment -- thereby

creating greater

An expanded export trade is also an essential step toward eliminating our balance of payments deficits, which have totalled more than $13 billion over the last four years and have reduced our gold reserves by almost $6 billion.

We have traditionally exported more goods and services than we import, and last year this gave us a commercial surplus of $5 billion. This surplus was not great enough, however, to offset the dollar outflow from our defense, aid, and investment expenditures abroad. When all the factors involved in our balance of payments were added up, the result was a deficit of almost $2.5 billion. This was a third less than in 1960, but still much too high.

Our currently prosperous allies are now beginning to help offset our deficit through increased military procurement in the United States, and we expect them to shoulder an increasing

share of the

Western Europe's reserves have been mounting, largely as the counterpart of our losses.

This contrast illustrates our two main economic tasks -- to increase our rate of long-term growth, and to eliminate the continuing deficits in our international payments. One major way of making significant progress toward both goals is by expanding our export trade.

Increasing our exports to meet the demand in new and growing markets abroad will stimulate production in our domestic economy. It will broaden our industrial base and help to create the millions of new jobs that are needed in the years ahead to reduce our present unacceptably high level of unemployment, to provide for new workers entering the labor force, and to help those whose jobs will be affected by advancing technology.

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The President's trade program is a response to the challenge of the new Western Europe that has risen miraculously from the ashes of postwar devastation. We are proud that Marshall Plan aid helped that recovery. But we recognize the importance of economic and political cooperation within Europe in that expansion. For the European integration movement -- which many hope will eventually produce a United States of Europe -- was largely responsible for a spurt of economic growth almost without parallel in history.

That growth has great significance for the United States. During the last decade, our economic growth has lagged, while Western Europe's economy has expanded at a rate roughly double our own. In addition, while our defense, aid, and investment expenditures overseas have contributed throughout that period to an outflow of dollars, and more recently of gold as well --

Western Europe's

Treasury Department Washington
Release AM Newspapers Thursday, March 22, 1962

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
NORTH CAROLINA CITIZENS ASSOCIATION
RALEIGH, NORTH CAROLINA
WEDNESDAY, MARCH 21, 1962, 6:30 P.M. EST

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If the Congress approves the President's program, the resulting competition will benefit both sides of the Atlantic and contribute to free world growth and cooperation for years to come.

If the President's proposal is rejected, if we attempt to retreat behind a high tariff wall, we will have ignored an opportunity of lasting importance both to our domestic economic growth and to the international stability of the dollar.

The President's

D-436

TREASURY DEPARTMENT
Washington

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RELEASE A.M. NEWSPAPERS
THURSDAY, MARCH 22, 1962

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
NORTH CAROLINA CITIZENS ASSOCIATION
RALEIGH, NORTH CAROLINA
WEDNESDAY, MARCH 21, 1962, 6:30 P.M., EST

This Nation is faced today with decisions that will reach far beyond the time of the men who make them. Such a decision is now before the United States Congress. It is posed by the President's trade program, which is not just a new tariff plan, but a bold proposal that we compete on equal terms with Europe's Common Market.

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The President's trade program is a response to the challenge of the new Western Europe that has risen miraculously from the ashes of postwar devastation. We are proud that Marshall Plan aid helped that recovery. But we recognize the importance of economic and political cooperation within Europe in that expansion. For the European integration movement -- which many hope will eventually produce a United States of Europe -- was largely responsible for a spurt of economic growth almost without parallel in history.

That growth has great significance for the United States. During the last decade, our economic growth has lagged, while Western Europe's economy has expanded at a rate roughly double our own. In addition, while our defense, aid, and investment expenditures overseas have contributed throughout that period to an outflow of dollars -- and more recently of gold as well -- Western Europe's reserves have been mounting, largely as the counterpart of our losses.

This contrast illustrates our two main economic tasks -- to increase our rate of long-term growth, and to eliminate the continuing deficits in our international payments. One major way of making significant progress toward both goals is by expanding our export trade.

Increasing our exports to meet the demand in new and growing markets abroad will stimulate production in our domestic economy. It will broaden our industrial base and help to create the millions of new jobs that are needed in the years ahead to reduce our present unacceptably high level of unemployment, to provide for new workers entering the labor force, and to help those whose jobs will be affected by advancing technology.

An expanded export trade is also an essential step toward eliminating our balance of payments deficits, which have totalled more than $13 billion over the last four years and have reduced our gold reserves by almost $6 billion.

We have traditionally exported more goods and services than we import, and last year this gave us a commercial surplus of $5 billion. This surplus was not great enough, however, to offset the dollar outflow from our defense, aid, and investment expenditures abroad. When all the factors involved in our balance of payments were added up, the result was a deficit of almost $2.5 billion. This was a third less than in 1960, but still much too high.

Our currently prosperous allies are now beginning to help offset our deficit through increased military procurement in the United States, and we expect them to shoulder an increasing share of the foreign aid burden in the future. But any effective cure for our continuing deficit will also require a larger trade surplus, and this means expanded exports. To illustrate: if our commercial exports last year had been only 14 per cent higher -- about one-half of one per cent of our overall national output -- our deficit would have been eliminated.

The Administration is taking steps to increase American sales abroad. These include special efforts to step up the flow of information on export opportunities and to make our producers more export-conscious, and a new and comprehensive export insurance program developed by the Export-Import Bank in cooperation with 57 casualty insurance companies. Almost all Administration economic policies are designed to spur domestic investment in productive equipment -- thereby creating greater efficiency and competitive potential. Such policies include a balanced budget which will free funds to finance private investment instead of Government spending; monetary and debt management policies that help to assure adequate investment funds at reasonable long-term rates; the proposed tax credit for productive investment; and modernization of tax depreciation to encourage purchase of new equipment.

This broad program to stimulate investment -- and thereby bring our industries into step with foreign producers who have been modernizing more rapidly -- will put American business in a position both to expand sales abroad, and to better meet import competition in our home markets. However, it will be doomed to failure if we allow prices and wages to get out of hand. Wage increases in excess of average productivity gains could touch off a round of wage-price inflation that could do serious damage to our export chances.

Furthermore, all our efforts to put our producers in a position to better compete with foreign producers will be meaningless if high tariff walls abroad keep our goods out of foreign markets.

That is just what will happen if Congress fails to give President Kennedy the trade legislation he has asked for. Without it, our negotiators cannot bargain down the tariff wall around the Common Market. And bargain it down we must. As internal trade barriers go down in Europe, the effect is to strengthen the external wall around the Market. Member countries are pledged to eliminate internal barriers, permitting their producers to sell duty-free anywhere within the Market by 1970. However, unless we negotiate access to the Market, American producers would have to compete over a tariff wall -- a wall that for some products, in some nations, would be higher than it is today.

At present, our exports to the Common Market exceed our imports from it by $1.4 billion -- almost half of our commercial merchandise trade surplus. While a large proportion of this surplus is due to the sale of our agricultural products, including cotton, we also have a surplus of $300 million in trade in manufactured products -- exports of $2.3 billion, versus imports of only $2 billion. Our surplus with that area increased last year, but without reductions in the tariff wall around the Market, we could not expect further gains. On the contrary, we would expect our surplus to shrink.

Significant future reduction of the Market's outside tariff wall would be impossible with the type of authority the President has under existing law. That law now requires item-by-item negotiation. The Common Market countries have found across-the-board bargaining for whole groups of items at a time the only practical method for their own tariff negotiations, hence, they have little interest in further item-by-item negotiation with us. The recent tariff negotiations between the United States, the six Common Market Countries, and 25 other nations at Geneva took 17 months. While they resulted in 20 per cent cuts in tariffs for most Common Market industrial items -- in exchange for smaller cuts in our tariffs -- our effective authority under the present law was exhausted. If we want further concessions from the Market countries, we must be prepared to negotiate for whole groups of items.

That is precisely the authority the Trade Expansion Act of 1962 would provide. Under the proposed legislation, products in which the United States and the Common Market provide four-fifths or more of world trade would be put in a "dominant supplier" group, on which tariffs could eventually be entirely eliminated. Other tariffs in general could not be reduced more than 50 per cent. Any tariff changes would go into effect gradually during a five-year transition period, and a proposed adjustment assistance program would help firms and workers affected by increasing imports to meet new conditions.

At present, our tariffs and those of the Common Market are at roughly the same average level. This is a good point from which to bargain. Passage of the new trade legislation would be the best insurance we could have for full reciprocity in tariff reduction, since across-the-board cuts by uniform percentages offer the best opportunity for obtaining full value in tariff cuts for any concessions we may make.

The potential that Western Europe's burgeoning markets has for our goods cannot be over-emphasized. Already our exports to the Common Market exceed our imports by more than 50 per cent, and Western Europe is expanding rapidly. New cars jam its highways -- three times as many as there were 10 years ago. If European consumption expands as ours has, the implications for American export opportunities could be extremely promising.

Furthermore, many familiar American products are still virtually unknown in Europe. As supermarkets, modern drugstores and shopping centers become more and more numerous, and Western Europe develops a high-income, high-consumption economy similar to ours, American manufacturers will find this to be a market in which they can compete very effectively, because it will be so similar to their home market.

Unquestionably, the Common Market presents a challenge, but opportunity far outweighs the risk. We must accept the challenge, which is simply a challenge to compete on equal terms. Failure to accept would involve risks far more serious than the threat of competition. We could not ignore this challenge and expect to maintain an adequate export trade, or expect to take full advantage of our potential for domestic growth. By failing to compete, we would take the chance of losing our place as the greatest trading nation in the world.

This audience is, of course, concerned with the particular interests of North Carolina, and I will take a moment to discuss them:

North Carolina's textile industry is outstanding, and the future of that industry is important to the entire state. Imports of textiles have increased from just over 2 per cent of total consumption in 1957 to 6 per cent in 1960, and last year President Kennedy promised to aid our domestic textile industry in meeting this problem. He appointed a Cabinet Committee on the textile industry which was headed by your own illustrious former governor, Secretary of Commerce Luther Hodges. This Committee, on which I also served, developed a seven-point program which was announced a little less than a year ago.

As part of that program, the Treasury gave top priority to a review of tax depreciation allowances on productive equipment in the textile and apparel industry, with the result that the guidelines for depreciable "lives" of such machinery were reduced by 40 per cent. This allowed manufacturers, to write off the cost of this machinery in 15 years, on the average, rather than 25. The guideline for sewing machines, the most important item used by apparel manufacturers, was cut from 15 to 9 years. This move will result in substantial savings to the textile and apparel industries in North Carolina. The investment tax credit I have already mentioned should be an even more potent source of help.

In addition, there was recently negotiated in Geneva an international cotton textile agreement which will have the effect of regularizing textile imports into the United States for the next five years. Under this agreement, no increase in imports over the level of the year ending June 30, 1961, is required for two years. Thereafter, the required annual increase in imports from all sources does not exceed 5 per cent, or 15 per cent over the 5-year period. On the other hand, the European countries which have traditionally kept strict controls on imports of Japanese textiles have agreed to double their imports over the coming 5-year period. I would like to emphasize that this result was *not* accomplished through the unilateral, protectionist approach of imposing mandatory import quotas. Rather, the agreement was made under the auspices of the General Agreement on Tariffs and Trade and in a framework of mutual international consent. This shows that it is possible to work effectively with the other free nations of the world on problems which directly affect us here at home.

North Carolina also has a tremendous stake in our export trade. In 1960, for instance, North Carolina exported more than $600 million worth of goods to other nations. North Carolina sold abroad $400 million worth of manufactured goods giving employment to an estimated 28,000 workers. An additional 51,000 farm workers in this state were estimated to be involved in producing the more than $200 million worth of agricultural products exported from North Carolina. The top exporting industry in this state is the tobacco products industry, with almost $200 million in exports. It is significant that among the best

customers for such products are France, Belgium, the Netherlands and Luxembourg -- four of the six members of the Common Market. The second major exporting industry was textile mill products, with more than $80 million exported from North Carolina in 1960.

The President's trade program then, is as important to North Carolina as it is to other states. It would not be fair to discuss it,however, without considering some of the objections that have been raised.

There are those who believe that our industry will be unable to compete against low-wage foreign competition. It is true that our wages are higher than foreign wages, but wages alone don't determine price. The important factor is overall unit cost, not hourly wage rates, and that is why we are emphasizing domestic investment, to keep overall unit cost down. Our high-wage industries often do better against foreign competition, both at home and abroad, than do our low-wage industries. An American coal miner, for example, is paid eight times as much as a Japanese miner, but produces 14 times as much coal. The result is that despite higher wages, we sell tens of millions of dollars worth of coal to Japan annually. It should also be remembered that rapid economic expansion in other industrialized countries has produced severe labor shortages, which, with other factors, are creating increasing upward pressure on foreign wages and prices.

Another objection is based on the belief that lowering our tariff barriers would result in a flow of imports that would seriously damage domestic industries and hurt our economy. Quite the contrary, a major reason for the trade legislation is to provide further scope for growth. We are now importing about $15 billion worth of goods from abroad, but 60 per cent of our imports do not offer any serious competition to domestic products, either because there is no domestic production of the commodities involved, or because the commodities are not produced here in any significant quantity.

It would, however, be unrealistic to assume that no domestic industries will be injured. For that reason, President Kennedy has included in the proposed trade bill provisions for temporary assistance to such firms and workers. This assistance includes loans and technical assistance to affected businesses as well as special readjustment, training, and relocation benefits for workers. In addition, eligible firms could get tax relief, by allowing a carry-back of operating losses over five years instead of three. This would permit some firms to get refunds of taxes paid in previous years. Such refunds could be used to finance investments designed to restore profitable operation.

A third objection is that such adjustment assistance will prove extremely expensive, and will provide a chronic drain on the Treasury. This is not the case, because the impact of increased imports will be gradual enough to allow almost all of the readjustment to be accomplished through the normal retirement of workers and the normal write-offs and abandonment of obsolete production equipment, just as is the case in response to domestic competition. The adjustment assistance provisions, plus the escape clause, which will be retained, are intended to take care of the cases of hardship that are likely to arise. The expenditure for adjustment assistance to firms is not expected to exceed $50 million annually, even after five years, when the full effect of tariff cuts would be felt. As the program is continued over a period of years, any outlays would be offset to an increasing extent by repayments on prior loans. The additional expenditures arising from benefits to workers are not expected to exceed $20 million annually.

A fourth objection sometimes made to the trade program is that increased imports will take jobs away from American workers at a time when the United States needs to provide more jobs. Secretary of Labor Arthur Goldberg has estimated that over the five-year period during which tariff reductions would be put into effect, the nation as a whole would lose only 18,000 jobs a year as a result of rising imports -- only one-fortieth of one per cent of our labor force. Far more important, however, is the expected increase in jobs during the same period as a result of expanding exports. While it is impossible to make accurate measurements of such matters, Secretary Goldberg estimated, on the basis of past experience, that three times as many jobs would be created by new exports as would be lost through increased imports.

We must also consider the workers whose jobs now depend on exports, a group that far outnumbers the workers involved in imports, and take account of what trade means to them: One out of every eight farm workers produces for export, and nearly eight per cent of our employment in manufacturing is attributable to exports. In all, more than three million workers directly or indirectly owe their jobs to exports. Failure to pass the trade program, by making it more difficult to sell our goods in Western Europe, would certainly threaten the jobs of those who depend on exports.

We have no cause to fear competition on equal terms with the Common Market. Such competition will have broad benefits for us and for the entire free world. With the new trade legislation we can look forward to a strong free world community of thriving nations, with ever-expanding trade between them. Without it we face the possibility that tariff barriers will create a number of separate trading blocs, each the potential economic and political

rival of the others. Delay or inadequate authority could encourage the Common Market to develop its new and growing markets without us, making it difficult or impossible for us to regain lost export markets at a later date.

We in this nation have never doubted our productive ability. It has given us the highest standard of living in the world, and we expect it will continue to do so. The trade program is an opportunity to demonstrate to the entire world the vitality and strength of our free market economy. I urge that you give it your strong support.

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March 20, 1962

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, March 21, 1962.

RESULT OF TREASURY'S $1.8 BILLION 182-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,800,000,000, or thereabouts, of Tax Anticipation Series 182-day Treasury bills to be dated March 23, 1962, and to mature September 21, 1962, which were offered on March 13, were opened at the Federal Reserve Banks on March 20.

The details of this issue are as follows:

Total applied for - $3,592,711,000
Total accepted - 1,800,936,000 (includes $145,718,000 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	- 98.549	Equivalent rate of discount approx.	2.870% per annum
Low	- 98.529	" " " " "	2.910% " "
Average	- 98.536	" " " " "	2.896% " " 1/

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 61,164,000	$ 19,464,000
New York	2,629,743,000	1,346,988,000
Philadelphia	57,550,000	14,260,000
Cleveland	151,173,000	55,573,000
Richmond	29,085,000	9,785,000
Atlanta	36,622,000	24,232,000
Chicago	332,978,000	144,348,000
St. Louis	25,790,000	16,270,000
Minneapolis	25,500,000	7,550,000
Kansas City	28,264,000	19,039,000
Dallas	15,957,000	12,382,000
San Francisco	198,885,000	131,045,000
TOTAL	$3,592,711,000	$1,800,936,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 2.98%. 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.
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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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated December 28, 1961, (91 days remaining until maturity date on June 28, 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 Banks on March 29, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 29, 1962. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, March 21, 1962

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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 $1,800,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 29, 1962, in the amount of $1,701,838,000, as follows:

91 -day bills (to maturity date) to be issued March 29, 1962, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated December 28, 1961, and to mature June 28, 1962, originally issued in the amount of $600,633,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $600,000,000, or thereabouts, to be dated March 29, 1962, and to mature September 27, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, March 26, 1962. 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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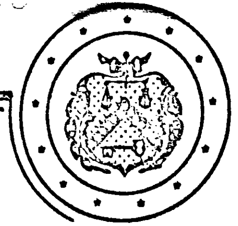
TREASURY DEPARTMENT



WASHINGTON, D.C.

March 21, 1962

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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 December 28, 1961,(91-days remaining until maturity date on June 28, 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 March 29, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 29, 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.

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

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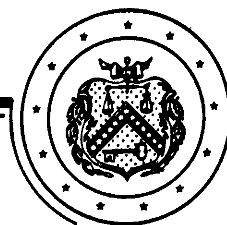
(A) Inquiry in these cases was made at the suggestion of Customs field officers. There was no industry complaint.

~~Sales at less than fair value within the meaning of~~ Determinations under the Antidumping law ordinarily involve a comparison between the price at which the foreign article is sold to the United States purchaser and ~~[illegible]~~ the price at which it is sold for consumption in the country of export. This was the basis for calculation in each case except for MGA where the volume of home sales was so small as to require reference instead to export prices charged countries other than the United States. ~~The results of the price comparison showed where comparison shows a lower price to the United States is lower than the home or third country price, as the case may be.~~ A lower price to the United States can justify a determination of sales at less than fair value.

There was no industry complaint in any of these cases. The investigations were made on advice from Customs field officers that dumping sales might be involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

March 23, 1962

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FORD ANGLIA, HILLMAN,
M.G.A., VAUXHALL, OPEL AND FIAT
AUTOMOBILES UNDER THE
ANTIDUMPING ACT

The Treasury Department has determined that Ford Anglia, Hillman, M.G.A., and Vauxhall automobiles from the United Kingdom, Opel automobiles from Western Germany, and Fiat automobiles from Italy are not being, nor are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determinations will be published in the Federal Register.

The approximate dollar value of imports of the involved merchandise received during 1961 was as follows:

Ford Anglias	Approximately	$1,150,000.
Hillman (coupe & sedan deluxe)	"	850,000.
M.G.A.	"	4,900,000.
Vauxhall		minimal
Opel	"	330,000.
Fiat	"	7,500,000.

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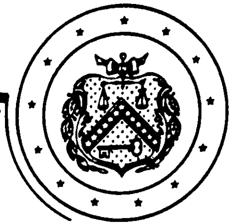
TREASURY DEPARTMENT



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oOo

For Release A.M. Newspapers Mar 26
Saturday, March 24, 1962

The Treasury Department is issuing amendments to its Cuban Import Regulations, effective 12:01 A.M., Saturday, March 24, 1962, to prohibit the importation into the United States from any country of merchandise made or derived in whole or in part of products of Cuban origin.

These amendments are being published to make clear that products made in third countries containing Cuban components cannot be imported in circumvention of the President's embargo.

TREASURY ISSUES AMENDMENTS TO ITS
CUBAN IMPORT REGULATIONS

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

March 23, 1962

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D-439

March 26, 1962

FOR RELEASE A. M. NEWSPAPERS, Tuesday, March 27, 1962.

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 December 28, 1961, and the other series to be dated March 29, 1962, which were offered on March 21, were opened at the Federal Reserve Banks on March 26. Tenders were invited for $1,200,000,000, 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 June 28, 1962		182-day Treasury bills maturing September 27, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.320	2.690%	98.564	2.840%
Low	99.309	2.734%	98.552	2.864%
Average	99.313	2.719% 1/	98.555	2.857% 1/

10 percent of the amount of 91-day bills bid for at the low price was accepted
91 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	$ 31,779,000	$ 27,479,000	$ 9,907,000	$ 4,907,000
New York	1,480,576,000	712,576,000	1,010,898,000	490,233,000
Philadelphia	39,190,000	19,590,000	6,610,000	1,610,000
Cleveland	34,073,000	29,573,000	27,416,000	17,416,000
Richmond	11,846,000	11,846,000	2,044,000	2,026,000
Atlanta	16,532,000	16,132,000	6,823,000	6,388,000
Chicago	264,556,000	149,956,000	121,335,000	46,155,000
St. Louis	28,170,000	20,170,000	5,013,000	3,423,000
Minneapolis	22,816,000	16,916,000	4,873,000	2,373,000
Kansas City	27,280,000	21,742,000	8,888,000	5,388,000
Dallas	19,978,000	11,978,000	8,932,000	5,842,000
San Francisco	205,001,000	162,201,000	34,963,000	14,461,000
TOTALS	$2,181,797,000	$1,200,159,000 a/	$1,247,702,000	$600,222,000 b/

a/ Includes $198,370,000 noncompetitive tenders accepted at the average price of 99.313
b/ Includes $48,981,000 noncompetitive tenders accepted at the average price of 98.555
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.78%, for the 91-day bills, and 2.94%, 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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D-440

in a few instances, some line or another could be sharply affected. For that reason, certain safeguards, including Tariff Commission studies and public hearings, would be retained in the law to assure full analysis of the impact of any proposed reductions on American industry. However, the narrow and specific "peril point" concept now embedded in current practice would be modified - as it must be if successful negotiations on a broad basis are not to be stymied. Only in extreme instances, where whole industries were adversely affected, would higher levels of tariff protection be restored, temporarily or permanently.

Instead, a promising new approach toward easing the transition for affected firms has been developed - an approach that would be fully consistent with our over-all objectives. This approach would provide for affected firms temporary adjustment aid - liberal loss carry backs for tax purposes, loans, or loan guarantees and technical assistance. We must do all we can to ease the transition to new jobs, new products, and new services - but to resist change is to resist progress. The fundamental fact is that if our economy is growing as it should and must, if major recessions are avoided, and if we take advantage of our larger export opportunities, we will absorb any workers and capital displaced by foreign competition with relative ease. The

Let me emphasize as strongly as I can that no one in the Administration looks upon the Trade Expansion Act as a one-way street - with the United States freely granting concessions on the basis of some free trade ideals and satisfied with only token concessions by other parties. Rather we see it as a necessity for meeting the new trading challenges of today and of critical assistance in our drive to expand our export surplus.

The potential gains for this country from mutual reductions in trade barriers are readily apparent. Our current annual surplus on merchandise trade - excluding Government financed exports - is roughly $3 billion. For the Common Market alone, our exports in 1961 were $3.5 billion, roughly 60% larger than our imports from the same countries. Thus we have a favorable base for enlarging our surplus as we negotiate equivalent reductions in tariffs. Moreover, European labor resources and productive capacity have been strained to achieve their remarkable growth of recent years. Pressures to consume more of their current output in domestic markets are developing. And European demands are particularly strong for the type of machinery, equipment, and consumer goods for which this country has ample capacity and unparalleled "know how."

We recognize that lower tariffs for broad groups of goods will expose more of our own industry to foreign competition, and

already have a dominant trading position - amounting to 80% or more of free world exports.

Altogether, assuming that Britain and some of the small European nations join the Common Market, 26 groups of commodities would be eligible for this list. In general, these are products like aircraft, office machinery, and the newer drugs and chemicals requiring sophisticated manufacturing techniques and with a high research input, or mass production items such as vehicles and basic chemicals. Coal (in which we have a clear competitive advantage) and furs are about the only groups not dominated by highly fabricated products. Clearly, it is for products of this sort that the uniform external tariff of the Common Market is most threatening to our own exporters. In 1960, our world exports of these "eligible" commodities amounted to $8.8 billion, while imports were only $1.8 billion - a dramatic confirmation of our capacity to compete today in these lines.

For other commodities, the President would, with certain exceptions, be authorized to reduce tariffs by as much as 50%. The key facts here are that the permitted reductions would be substantially larger than permitted by existing law, and they could be applied to broad groups of commodities, rather than item by item.

The crux of the negotiating problem is that we have about exhausted the potential for item-by-item tariff reductions provided by authority now on the statute books. Moreover, it has become quite clear that, if we are to have a real breakthrough at all, our tariff negotiations with the Common Market must be for relatively broad categories of goods - just as those countries have approached the problem among themselves.

In important ways, the Trade Expansion Act builds on the experience of the Reciprocal Trade Acts. Reciprocity would remain the basis for all tariff reductions. Congress will continue to define and delegate to the President enough of its tariff making power to allow him to negotiate these mutual reductions. And our traditional "most favored nation" policies - extending to all friendly countries any reductions in tariffs negotiated - would be maintained.

The striking innovations in the Trade Expansion Act are aimed directly at the new problems that have emerged. For the first time, the President would be authorized to enter into agreements that would move commodities to the "Free List". These would, aside from certain agricultural, forestry and low tariff products, be goods in which the Common Market and the United States together

I need not remind an audience of security analysts of the enormous productive potential that this integration of the European economy has released - nor need I dwell on its potential contribution to the strength of the free world. But it is of critical importance that we do all we can to assure that the Common Market is outward looking - contributing to expanded trading opportunities for all - rather than a group that turns inward on itself, concentrating too exclusively on exploiting its broadened market within Europe.

The importance of this European market to international trading patterns can hardly be exaggerated. Members and potential members accounted for roughly 38% of world trade in 1960; during recent years their trade has grown substantially faster than international trade as a whole. Western Europe takes nearly a third of our own exports, largely concentrated in manufactured goods and agricultural products - precisely those types of goods where both the potential impact of the common tariff and further export opportunities are likely to be greatest. Nor can we neglect the potential impact on other countries - developed or underdeveloped - whose export markets are threatened, including countries like Canada and Japan that are among our best customers.

a larger export surplus. That means we must be able to ship goods abroad at competitive prices. And we must be permitted to deliver those goods without confronting insurmountable tariff barriers.

This is, of course, why the Trade Expansion Program is so important to us today, entirely aside from its implications for our broader foreign policy and military objectives. Access to foreign markets is no assurance of success. But without such access, all our efforts to work toward a payments balance by improving efficiency and remaining competitive could be frustrated.

It is the rise of the Common Market that brings this problem to the fore with such urgency today. As you know, the "Six" have been moving rapidly - more rapidly than was thought possible only a few years ago - toward integration. Saturday's newspapers brought the news that internal tariffs will be reduced by 50% by July 1 of this year, well ahead of schedule; they will be gone entirely by 1970, and probably long before, judging by recent progress. Meanwhile, external tariffs - against the United States and all other countries - are in the process of being adjusted to a common level. This means, quite simply, that a sort of average will be struck, for relatively broad categories of goods, between the low tariff members and the high. In too many cases, this will mean that our current markets in Europe are threatened, with prospects poor for surmounting the new "common tariff."

This, then, in a few broad strokes is our over-all strategy for meeting our goals and the essential basis for a program of trade liberalization. I would be the last to minimize the importance of all the other measures we are taking to encourage growth at home and equilibrium abroad. In the international area particularly there has been great progress, including measures in which our allies and trading partners have cooperated. For instance, the burden of our $3 billion of military spending overseas will be partially offset this year by the transfer of well over $1 billion to this country by several countries to pay for military equipment and services. Spending by servicemen and their dependents overseas is being reduced. More of our economic aid is being extended in the form of American goods and services rather than in so-called "free" dollars, and more of our own military procurement is being returned to this country. Moreover, our defenses against potentially disturbing short-term capital flows have been greatly strengthened through close consultation and cooperation with other industrialized countries.

All these measures are essential in the circumstances of today. But savings in military spending abroad and in foreign assistance, within those limits imposed by our national objectives, will not alone balance our accounts. Nor will the elimination of unwarranted incentives to invest abroad. What is needed, for the long pull ahead, i(

with that need, and on the basis of projected strong expansion of the economy through the next fiscal year, we submitted to the Congress a balanced budget. This will release, for investment, savings and resources that otherwise would be absorbed by Government, in borrowing to meet a deficit in our internal finances. Monetary policy, too, must remain flexible - ready to provide the funds necessary to finance growth without creating excessive liquidity. But, in the end, it is the countless decisions arrived at in collective bargaining sessions and pricing conferences that are the critical factors - decisions that are and will remain voluntary and private in nature, but which should be taken in full awareness of where the broader public interest lies.

Today, there should be little confusion on that point. I particularly commend to your attention that section of the Annual Report of the Council of Economic Advisers setting forth "guideposts" for wage and price determination. These guideposts would permit increases in wages in line with national productivity, and they would allow for changes in wage and price relationships between industries. They would also - and this is the critical point - be consistent with over-all price stability. This is no attempt to substitute Government fiat for private bargaining; it is an attempt to define - to inject if you will - the public interest in the bargaining process.

That is why we in the Treasury, and the Administration generally, have attached first priority to measures - including both a tax credit and revised depreciation guidelines - to improve the climate for new investment in this country, so that our factories may be modernized more rapidly and we may fully exploit the latest technology. With these reforms adopted, American industry will have incentives for investment in this country equal to those available to our competitors in developed countries abroad.

A higher rate of investment is the main road to greater efficiency and more output, but those gains will afford us little, in terms of our balance of payments and the new trade program, if they are accompanied by higher prices. The need for price stability - for conscious restraint on costs - over the months and years ahead is the essential message of our recent deficits in our balance of payments. We cannot afford to repeat the pattern of the 1950's. From 1953 to 1960, our export prices for manufactured goods rose 14% relative to those of our major competitors abroad, and at the same time our share of world exports fell off. Our record in that respect over the past year or two has been much better; we must see that it remains so as our resources become more fully employed.

I know of no simple path to this objective. Certainly, Government itself must shape its over-all fiscal program in a manner that avoids contributing to upward price pressures. In accord

through 1960. Last year, the deficit was reduced to $2.5 billion creditable progress, but still far from our goal. Notably, this progress was achieved while our economy was advancing at home - and for the first time in the postwar period, a recovery has been accomplished without an increase in industrial prices. But, over a series of years, our growth rate has been unsatisfactory, unemployment is still too high, and cost pressures still loom as a threat to our new-found price stability.

The challenge is clear. We must work toward a full balance in our international accounts -- not just in a single target year, but in every year that the rest of the world is, broadly speaking, uninterested in acquiring more dollars, when dollars of deficit become drains upon our gold reserve. We must also, while regaining control over our balance of payments, do what is necessary to step up our growth rate at home.

There need be no irreconcilable conflict here. The key to both is stable prices and expanding productivity - making available to the markets of this country and the world an ever-increasing supply of new and improved products at attractive prices. We have vast advantages in natural resources, a research effort unmatched in the world, and an energetic, efficient, and highly educated labor force. The task is to capitalize on these more effectively.

I am certain that a solid basis for optimism does exist. But, I also recognize that the answer would not be clear-cut if this country - Government, business, and labor, - proved unwilling to buckle down to the job at hand. The trade program cannot be a panacea - a magic solution for washing away all our problems on a surging sea of expanded trade. If we approach it in that light - as a substitute and not a complement for other measures to maintain our competitive position and step up our efficiency, -- the risk of failure will be real.

True, the Trade Expansion Act is a key element in our program to achieve equilibrium abroad, and to reconcile that with growth and stability at home. But, as all of you are well aware, access to potential markets - which is all the trade program can achieve - is no guarantee of a successful enterprise. That is why these other questions - our current earnings position and our plans for enlarging it, our research and development programs, and all the rest - are so pertinent to any analysis of our trade program, just as they would be for any corporate official appearing before you.

The rough dimensions of the problems before us are, I think, familiar to you all. For 11 of the last 12 years we have had over-all deficit in our balance of payments, culminating in deficits averaging $3.7 billion during the three years 1958

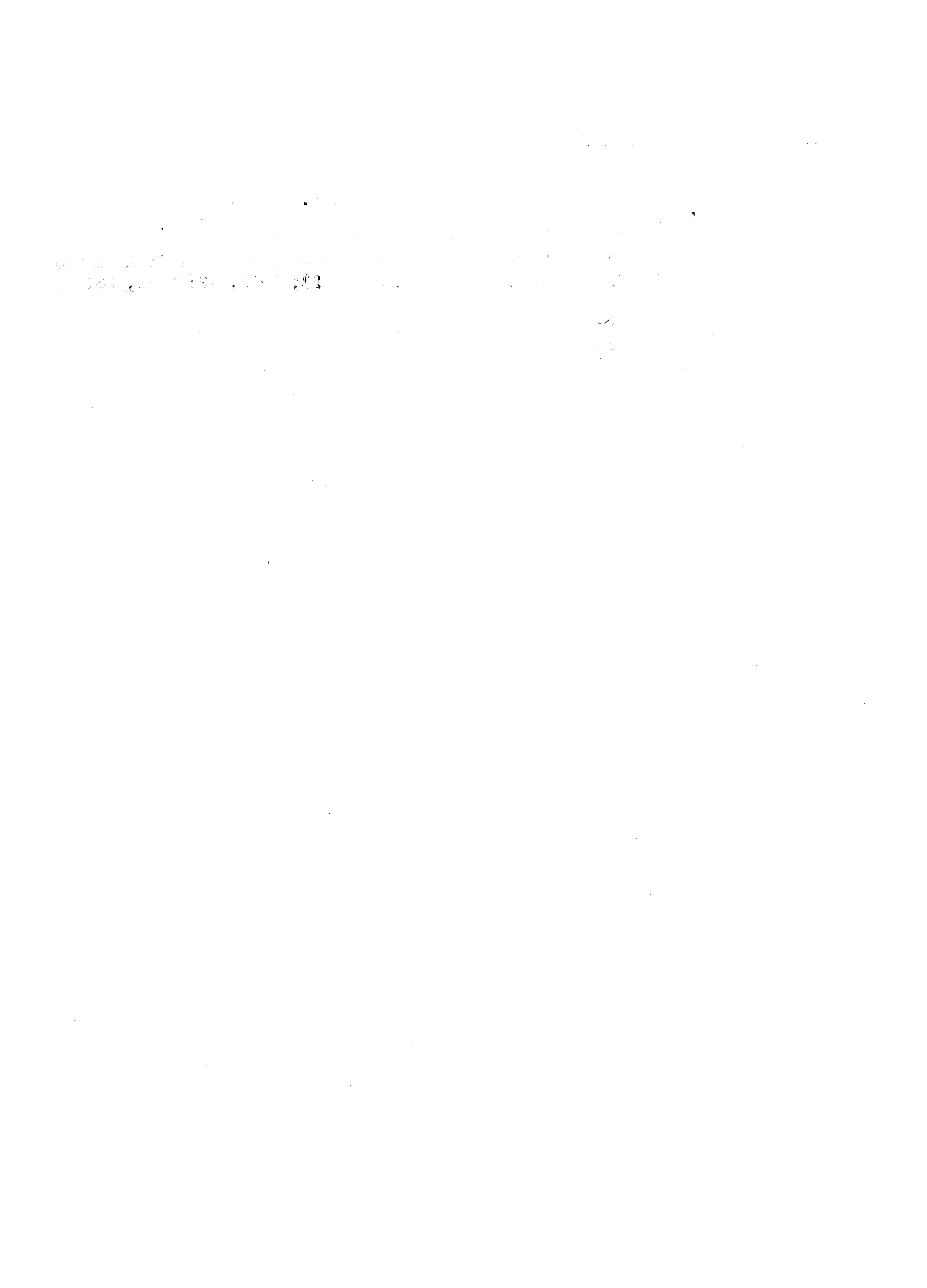
There were other questions, equally searching and equally sobering. But this sampling should be enough to explain to you why I then set aside my draft of notes, closed the office door, and started over on the preparation of my remarks for today. For it is indeed most important to take stock of the new proposals I came here to urge, in terms of the present and prospective economic position of the United States, not just of the Federal Government but of the economy as a whole.

What relation does a proposal to bargain for lower tariffs abroad, in return for lower tariffs here, have to our national economic goals -- the goals of stability, growth, and balance of payments equilibrium? What are the chances that wider opportunities for trade will actually result in more exports for the United States? Unless there is a fairly clear basis for positive optimism in the answers to such questions, you certainly cannot advise your firms and their clients that the powers sought in the Trade Expansion Act, effectively administered, can add to the attractiveness of investing in the United States.

TRADE AND OUR ECONOMIC GOALS

Until yesterday, I had been proceeding on the comfortable assumption that I would today be making here a general, and possibly persuasive, statement on the proposed Trade Expansion Act of 1962; would answer a few questions on details; and then return to my customary daily chores as a sort of comptroller in the Treasurer's office of the firm where I am presently employed. But I made a mistake which I suppose all of us fall into from time to time -- I read my morning's mail. That brought me back to hard reality with jolting abruptness. For there, in well considered promptings addressed specifically to me, were the pointed requests of some of your members who could not be here today:

What is my firm's present capitalization?
And what plans do we have for enlarging it?
What are its earnings prospects, in the United States and abroad, compared with last year, and previous years?
What are its plans for product expansion; for research and development?



TREASURY DEPARTMENT
Washington

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FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE ROBERT V. ROOSA,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
~~AT THE NEW YORK SOCIETY OF SECURITY ANALYSTS~~
AT A LUNCHEON MEETING OF THE NEW YORK SOCIETY OF SECURITY ANALYSTS, Inc.
NEW YORK, NEW YORK, WEDNESDAY, MARCH 28, 1962, 12:15 PM, EST

D-441

TREASURY DEPARTMENT
Washington

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That is why we in the Treasury, and the Administration generally, have attached first priority to measures -- including both a tax credit and revised depreciation guidelines -- to improve the climate for new investment in this country, so that our factories may be modernized more rapidly and we may fully exploit the latest technology. With these reforms adopted, American industry will have incentives for investment in this country equal to those available to our competitors in developed countries abroad.

A higher rate of investment is the main road to greater efficiency and more output, but those gains will afford us little, in terms of our balance of payments and the new trade program, if they are accompanied by higher prices. The need for price stability -- for conscious restraint on costs -- over the months and years ahead is the essential message of our recent deficits in our balance of payments. We cannot afford to repeat the pattern of the 1950's. From 1953 to 1960, our export prices for manufactured goods rose 14 percent relative to those of our major competitors abroad, and at the same time our share of world exports fell off. Our record in that respect over the past year or two has been much better; we must see that it remains so as our resources become more fully employed.

I know of no simple path to this objective. Certainly, Government itself must shape its over-all fiscal program in a manner that avoids contributing to upward price pressures. In accord with that need, and on the basis of projected strong expansion of the economy through the next fiscal year, we submitted to the Congress a balanced budget. This will release, for investment, savings and resources that otherwise would be absorbed by Government, in borrowing to meet a deficit in our internal finances. Monetary policy, too, must remain flexible -- ready to provide the funds necessary to finance growth without creating excessive liquidity. But, in the end, it is the countless decisions arrived at in collective bargaining sessions and pricing conferences that are the critical factors -- decisions that are and will remain voluntary and private in nature, but which should be taken in full awareness of where the broader public interest lies.

Today, there should be little confusion on that point. I particularly commend to your attention that section of the Annual Report of the Council of Economic Advisers setting forth "guideposts" for wage and price determination. These guideposts would permit increases in wages in line with national productivity, and they would allow for changes in wage and price relationships between industries. They would also -- and this is the critical point -- be consistent with over-all price stability. This is no attempt to substitute Government fiat for private bargaining; it is an attempt to define -- to inject if you will -- the public interest in the bargaining process.

This, then, in a few broad strokes is our over-all strategy for meeting our goals and the essential basis for a program of trade liberalization. I would be the last to minimize the importance of all the other measures we are taking to encourage growth at home and equilibrium abroad. In the international area particularly there has been great progress, including measures in which our allies and trading partners have cooperated. For instance, the burden of our $3 billion of military spending overseas will be partially offset this year by the transfer of well over $1 billion to this country by several countries to pay for military equipment and services. Spending by servicemen and their dependents overseas is being reduced. More of our economic aid is being extended in the form of American goods and services rather than in so-called "free" dollars, and more of our own military procurement is being returned to this country. Moreover, our defenses against potentially disturbing short-term capital flows have been greatly strengthened through close consultation and cooperation with other industrialized countries.

All these measures are essential in the circumstances of today. But savings in military spending abroad and in foreign assistance, within those limits imposed by our national objectives, will not alone balance our accounts. Nor will the elimination of unwarranted incentives to invest abroad. What is needed, for the long pull ahead, is a larger export surplus. That means we must be able to ship goods abroad at competitive prices. And we must be permitted to deliver those goods without confronting insurmountable tariff barriers.

This is, of course, why the Trade Expansion Program is so important to us today, entirely aside from its implications for our broader foreign policy and military objectives. Access to foreign markets is no assurance of success. But without such access, all our efforts to work toward a payments balance by improving efficiency and remaining competitive could be frustrated.

It is the rise of the Common Market that brings this problem to the fore with such urgency today. As you know, the "Six" have been moving rapidly -- more rapidly than was thought possible only

a few years ago -- toward integration. Saturday's newspapers brought the news that internal tariffs will be reduced by 50 percent by July 1 of this year, well ahead of schedule; they will be gone entirely by 1970, and probably long before, judging by recent progress. Meanwhile, external tariffs -- against the United States and all other countries -- are in the process of being adjusted to a common level. This means, quite simply, that a sort of average will be struck, for relatively broad categories of goods, between the low tariff members and the high. In too many cases, this will mean that our current markets in Europe are threatened, with prospects poor for surmounting the new "common tariff."

I need not remind an audience of security analysts of the enormous productive potential that this integration of the European economy has released -- nor need I dwell on its potential contribution to the strength of the free world. But it is of critical importance that we do all we can to assure that the Common Market is outward looking -- contributing to expanded trading opportunities for all -- rather than a group that turns inward on itself, concentrating too exclusively on exploiting its broadened market within Europe.

The importance of this European market to international trading patterns can hardly be exaggerated. Members and potential members accounted for roughly 38 percent of world trade in 1960; during recent years their trade has grown substantially faster than international trade as a whole. Western Europe takes nearly a third of our own exports, largely concentrated in manufactured goods and agricultural products -- precisely those types of goods where both the potential impact of the common tariff and further export opportunities are likely to be greatest. Nor can we neglect the potential impact on other countries -- developed or underdeveloped -- whose export markets are threatened, including countries like Canada and Japan that are among our best customers.

The crux of the negotiating problem is that we have about exhausted the potential for item-by-item tariff reductions provided by authority now on the statute books. Moreover, it has become quite clear that, if we are to have a real break-through at all, our tariff negotiations with the Common Market must be for relatively broad categories of goods -- just as those countries have approached the problem among themselves.

In important ways, the Trade Expansion Act builds on the experience of the Reciprocal Trade Acts. Reciprocity would remain the basis for all tariff reductions. Congress will continue to define and delegate to the President enough of its tariff making power to allow him to negotiate these mutual reductions. And our traditional "most favored nation" policies -- extending to all friendly countries any reductions in tariffs negotiated -- would be maintained.

The striking innovations in the Trade Expansion Act are aimed directly at the new problems that have emerged. For the first time, the President would be authorized to enter into agreements that would move commodities to the "Free List". These would, aside from certain agricultural, forestry and low tariff products, be goods in which the Common Market and the United States together already have a dominant trading position -- amounting to 80 percent or more of free world exports.

Altogether, assuming that Britain and some of the small European nations join the Common Market, 26 groups of commodities would be eligible for this list. In general, these are products like aircraft, office machinery, and the newer drugs and chemicals requiring sophisticated manufacturing techniques and with a high research input, or mass production items such as vehicles and basic chemicals. Coal (in which we have a clear competitive advantage) and furs are about the only groups not dominated by highly fabricated products. Clearly, it is for products of this sort that the uniform external tariff of the Common Market is most threatening to our own exporters. In 1960, our world exports of these "eligible" commodities amounted to $8.8 billion, while imports were only $1.8 billion -- a dramatic confirmation of our capacity to compete today in these lines.

For other commodities, the President would, with certain exceptions, be authorized to reduce tariffs by as much as 50 percent. The key facts here are that the permitted reductions would be substantially larger than permitted by existing law, and they could be applied to broad groups of commodities, rather than item by item.

Let me emphasize as strongly as I can that no one in the Administration looks upon the Trade Expansion Act as a one-way street -- with the United States freely granting concessions on the basis of some free trade ideals and satisfied with only token concessions by other parties. Rather we see it as a necessity for meeting the new trading challenges of today and of critical assistance in our drive to expand our export surplus.

The potential gains for this country from mutual reductions in trade barriers are readily apparent. Our current annual surplus on merchandise trade -- excluding Government financed exports -- is roughly $3 billion. For the Common Market alone, our exports in 1961 were $3.5 billion, roughly 60 percent larger than our imports from the same countries. Thus we have a favorable base for enlarging our surplus as we negotiate equivalent reductions in tariffs. Moreover, European labor resources and productive capacity have been strained to achieve their remarkable growth of recent years. Pressures to consume more of their current output in domestic markets are developing. And European demands are particularly strong for the type of machinery, equipment, and consumer goods for which this country has ample capacity and unparalleled "know how."

We recognize that lower tariffs for broad groups of goods will expose more of our own industry to foreign competition, and in a few instances, some line or another could be sharply affected. For that reason, certain safeguards, including Tariff Commission studies and public hearings, would be retained in the law to assure full analysis of the impact of any proposed reductions on American industry. However, the narrow and specific "peril point" concept now embedded in current practice would be modified -- as it must be if successful negotiations on a broad basis are not to be stymied. Only in extreme instances, where whole industries were adversely affected, would higher levels of tariff protection be restored, temporarily or permanently.

Instead, a promising new approach toward easing the transition for affected firms has been developed -- an approach that would be fully consistent with our over-all objectives. This approach would provide for affected firms temporary adjustment aid -- liberal loss carry backs for tax purposes, loans, or loan guarantees and technical assistance. We must do all we can to ease the transition to new jobs, new products, and new services -- but to resist change is to resist progress. The fundamental fact is that if our economy is growing as it should and must, if major recessions are avoided, and if we take advantage of our larger export opportunities, we will absorb any workers and capital displaced by foreign competition with relative ease. The adjustments will take place almost unnoticed, as a small part of the process of change characteristic of a dynamic economy.

Another point deserves comment before this group. A dynamic, growing economy means investment opportunities of all sorts are opening up. Many Americans have, quite naturally, been attracted by the new European market as a base for manufacturing, impelled in part by the prospect of the external tariff barriers. But, the Trade Expansion Act, together with the proposed tax credit and a more rapid rate of growth at home, could change that picture. This is the only sure way to promote investment in this country -- and with it new jobs and greater efficiency at home -- without controls so obnoxious to all our traditions.

The one theme that runs through all my comments today is that a liberal trade program of the sort the President has proposed makes sense only when our own economy is strong and healthy -- alive with new investment opportunities, taking advantage of the best technology, and able to produce at competitive prices. That is why I emphasize so strongly the other policies and programs -- the tax credit, depreciation allowances, and price stability.

In addition, our Government is bending every effort to assure that our exporters can take advantage of export opportunities as they arise -- and that foreign businessmen are aware of American products. Striking progress has been made in the past year -- including a great strengthening of our export credit facilities. This must be a continuing long-range effort -- with business and government working together and becoming export minded as never before.

On this solid base, the Trade Expansion Act will be indepensable in opening foreign markets to us. It will reinforce all our other efforts to achieve more jobs at home, and to make the United States attractive for investment. It will also impose disciplines -- to keep our costs in line and to operate at peak efficiency. But these are the sort of disciplines we want and need, not only to balance our payments but to achieve our domestic objectives.

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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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. 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 January 4, 1962 (17), (91 (18) days remaining until maturity date on July 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 respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 5, 1962 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 5, 1962 (23). Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

March 28, 1962

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 $1,800,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 5, 1962, in the amount of $1,701,085,000, as follows:

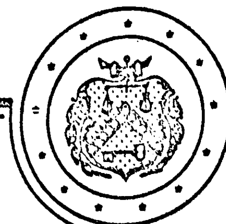
91-day bills (to maturity date) to be issued April 5, 1962, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated January 4, 1962, and to mature July 5, 1962, originally issued in the amount of $600,464,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated April 5, 1962, and to mature October 4, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 2, 1962. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY MARCH 29, 1962

REMARKS BY ROBERT H. KNIGHT,
GENERAL COUNSEL, U. S. TREASURY DEPARTMENT,
AT THE ANNUAL JOINT INSTITUTE AND DINNER OF
THE CONNECTICUT LIFE INSURANCE AND TRUST COUNCIL
AND THE JUNIOR BAR SECTION, STATE BAR ASSOCIATION
OF CONNECTICUT, CHESHIRE, CONNECTICUT,
THURSDAY, MARCH 29, 1962
(7:00 P. M., EST)

It seems to me that the people of the United States today live in one of history's most exciting eras of paradox. For example, our country has achieved a position of unprecedented power and influence as the world's foremost nation. Yet we live under the guns of an apparently implacable enemy dedicated to our defeat or destruction and of sufficient power and influence to bring us daily consciousness of our individual mortality. The weapons we forge for our own protection in themselves threaten our existence. Thus, while we devote huge sums to their development, we strive ever harder to obtain agreement for their elimination. Even our rockets possess this two-way characteristic. While offering vistas of exploration undreamed of earlier in our own brief lifetimes, and which even today stagger the imagination, they also could serve as a grim vehicle to return man to the dark ages of his civilization.

Our own unprecedented standards of living, health and education have brought us new hope, dignity and capacity for enjoyment. Yet we are continuously reminded that our good fortune exacerbates unrealized aspirations among less fortunate peoples and feeds the fires of resentment and revolution to threaten the peace and stability of the world.

Titillating as these paradoxes of our times may be to the theologian, the philosopher, the anthropologist or the historian, they make plain that in this dynamic world we must, as President Kennedy has so forcefully pointed out, make a choice. The choice offered to the people of America and, largely by our conduct, to the peoples of the world seems very clear. Mankind must either rise to a new plateau of civilization or fall to a pit of unprecedented suffering and possibly extinction. To rise, I deeply believe we must, without tiring and despite setbacks and disillusionments, continue to maintain unrivaled our military power and we must provide a means whereby the less fortunate nations are enabled to raise themselves to an acceptable standard of living.

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To meet the challenges implicit in this situation, we are striving on many fronts. To keep the peace and contain the military threat, we are pouring a record amount of our resources (some $50 billion out of a total budget of $92.5 billion in fiscal year 1963) into arms, manpower and the materials of effective defense. To meet the needs and aspirations of the less developed nations, needs which cannot in safety be ignored, we have in the past decade participated in national and international programs for the economic development of other nations of a magnitude that was inconceivable prior to the end of World War II.

These two vast undertakings, national defense and economic aid, both essential to our survival, require us to maintain a vigorous and expanding economy to support these efforts and provide a political environment which can assure their effectiveness. Thus far, with minor recessional setbacks, we have since World War II been achieving this economic goal and making commendable progress. Our gross national product has advanced in real terms from $325-1/2 billion in 1946 to $366-1/2 billion in 1950 to $521 billion in 1961 and is expected to rise by nearly $50 billion more in 1962.

Our satisfaction with the past, however, cannot blind us to the problems and obstacles to be overcome. The problems of reducing unemployment, now at an unacceptable 5.6 per cent, of maintaining price and wage stability, of meeting the ever-increasing competition from the booming and vastly expanding economies of the industrial nations of Europe and the Far East, and at the same time of providing for our ever more costly domestic needs -- all are problems which to overcome will require wisdom, energy, resourcefulness and some sacrifice -- as well as just plain hard work -- on the part of all of us according to our situations.

Tonight, I wish to discuss with you briefly one of the major economic problems the country faces and the measures we are pursuing to overcome it. This is the problem of our international balance of payments, a subject about which much is being written and too little is as yet generally understood.

By way of simplified definition, our balance of payments is simply the financial position of the United States vis-a-vis the rest of the world. If, in the course of a year, the total value of U. S. goods and services sold abroad together with the investment of capital from abroad exceeds what the U. S. buys from abroad or itself invests in foreign countries, the balance is favorable. When the opposite

condition prevails, the balance is unfavorable. Under our prevailing international monetary system, deficits in balances of payments are balanced by transfers of an equivalent value of gold. While the U. S. situation today is not alarming, if the U. S. deficit should be continued until in some future year it should become apparent that our gold reserves would be inadequate to meet that deficit, then other countries would be unwilling to accept dollars in payment for their goods and services and our ability to trade with foreign countries would become vastly restricted to the economic detriment of the country. Moreover, in such case foreigners holding U. S. dollars or credits would then demand payment in their own currency and a situation would follow similar to that which occurred in the Great Depression.

Such dire results would be particularly critical today since most countries of the world, having inadequate reserves of gold, have come to use the dollar to a large extent as their international medium of exchange and store of value and hold dollars to a greater or less degree in lieu of gold as their international monetary reserve. In other words, on the basis of the world's faith in the economy and credit of the United States, dollars have become in large measure an international substitute for gold as the essential ingredient of the international monetary system.

Our balance of payments situation today is not alarming but it unquestionably poses a problem which must be met with skill and determination if we are to continue to meet the demands for military preparedness and economic aid to less developed nations while maintaining our own economic health.

To understand the present situation, a little history may prove helpful.

Prior to the economic debacle of the 1930's, the major currency systems of the world were based on the gold standard. Under that system each nation's outstanding currency was redeemable in gold and consequently the supply of currency within the nation was dependent upon the reserves of gold it possessed. When a nation incurred a continuing deficit in its balance of payments, its gold reserves were accordingly depleted, thereby lessening the amount of outstanding currency, raising interest rates thereby inviting investment, lowering prices and thereby encouraging exports and depressing the economy and thereby discouraging imports. These results tended to reverse that nation's balance of payments situation and provide for a state of equilibrium in the international payments position of the countries

of the world. While such economic discipline and built-in stabilizers made for a theoretically ideal system of payments, it produced other economic and social results which became unacceptable. Among other things, the limitation of money to reserves of gold became increasingly restrictive and retarded economic growth. The self-discipline required to reverse a deficit position produced unemployment and economic losses within the country correcting its position. These and other recessional effects have, as you know, become politically unacceptable in the modern world. In 1930, as some of you will recall, the gold standard was abandoned when depression-ridden countries were unwilling to undergo the hardships of allowing the deficit counterbalancing mechanism of the gold standard to further depress their economies. With the resulting loss of confidence in the major currencies of the world, foreign creditors all sought at once to convert to their own or stronger currencies. The Austrian bank Credit Anstalt, caught in this credit squeeze, failed and started a series of bank failures throughout the world. Each country sought to protect itself in the ensuing chaos, and the international monetary system was virtually destroyed. After the Great Depression destroyed the gold standard as a system of standard international payments, the industrial nations of the world eventually rebuilt their domestic monetary systems on a basis of credit. This system permitted more flexible control of money to counter recurring recessions and unemployment and meet the needs of domestic economies for growth and expansion. However, because of its economic characteristic as a stable store of value, gold, abandoned for domestic use, retained its function as an international medium of exchange and of value. Along with gold, there was an increasing use of the currency of the economically strongest nation as an international reserve. Thus, until World War II, British sterling served that purpose and since that time the dollar has grown to be the international equivalent of gold. This means that the world had come to regard the dollar as being as stable as gold because of the economic strength of the United States.

In 1947, the International Monetary Fund was organized to aid in rebuilding international trade after World War II and to make the new international system of payments work. The Fund, composed in part of dollars and gold and in part of currencies deposited by the member nations, makes available to nations in temporary economic difficulty, foreign currencies with which to meet their essential international obligations while they apply the necessary disciplines to bring their own economic houses in order. All the currencies put into the Fund are expressed in terms of gold or dollars which together form the reserve against which international payments are made.

The onset of World War II in Europe led many Europeans to invest heavily in the United States for reasons of safety. This led to a large gold inflow into the United States in settlement of the European deficit. From 1937 to 1941, our gold stocks increased by nearly $10 billion to a total of $22.7 billion. The expense of meeting the costs of that War and rebuilding from the destruction that occurred in the War led to further gains in U. S. gold reserves. Since we were also the only major industrial nation whose economy was undamaged by the War, we were called upon to supply much of the world's needs and thus became the world's largest creditor with continuing balance of payments surpluses through 1949. At the end of 1949, the U. S. gold stocks stood at over $24-1/2 billion. In 1950, however, we incurred our first deficit, some $3.8 billion, as a result of increased imports from reviving European and Japanese economies, devaluation of many major currencies, the rebuilding of our military forces abroad as a consequence of the increasing Communist threats and aggressions, including the Korean War, and the growing burden of economic aid needed to complete the job of rebuilding the industrial nations abroad and beginning the development of the less developed nations.

Since 1950, with the exception of one year, 1957, we have incurred balance of payments deficits of varying magnitudes. However, between 1951 and 1957, despite the fact that our deficits averaged about a billion dollars a year, there was no major net outflow of gold because foreign countries were expanding their holdings of dollars, in large measure to acquire an acceptable international monetary reserve, essential to their regaining their share of the world's trade. In the three-year period from 1958 through 1960, the deficits became more sizable and almost half of the dollar claims held abroad as a result of our balance of payments deficits were used to buy gold from the U. S. Treasury. This gold outflow reduced our gold stocks from the $22.8 billion which we held in 1957 to $17.8 billion at the end of 1960. In 1960, Europe was in the midst of a boom, and interest rates had risen. Most of the more important currencies, theretofore severely controlled, had become convertible, thus permitting short-term investment across national borders to take advantage of increases in interest rates as they occurred in particular countries. Added to this short-term flow of capital were flows caused by speculators who, as a result of the increased U. S. deficits, thought the dollar would be devalued by the U. S. raising the price of gold above the price of $35 per ounce that has prevailed since 1934. This led dollar claimants to demand gold -- $1.7 billion in 1960 and another $325 million in January of 1961.

Thus on February 6, 1961, shortly after his inauguration, President Kennedy acted promptly to meet the problem, rendered critical by this loss of confidence in the dollar. On that date he issued a message to the Congress stating in unequivocal terms that the value of the dollar in terms of gold would be maintained and set forth a program to correct the deficit. The program, as set forth by the President and as it has evolved, included a number of measures designed both to exercise an immediate influence and to correct the basic problem. The immediate problem was to stem the short-term flow of capital moving in response to speculative rumors and differentials in interest rates. The President's positive assurances and constructive program did much to allay speculation and restore confidence in the dollar. Additionally, regulations were issued to prohibit the holding of gold abroad by American citizens, to discourage evasion of long-standing domestic gold laws by those seeking to profit from the speculation or those who would bury their hoard in the form of gold in fear of the future. Additionally, a bill was submitted to Congress which if enacted would permit U. S. banks to pay higher interest rates on time deposits held in U. S. banks by foreigners and thus encourage them to keep their dollar holdings in the United States. While this bill has not as yet been enacted, a revision of the Federal Reserve regulations (specifically Regulation Q) to permit raising of interest rates generally, contributed somewhat to a narrowing of interest-rate differentials between the U. S. and Europe.

Moreover, and more importantly, the cooperation of foreign governments and their central banks was sought and obtained in exercising a stabilizing influence on foreign exchange markets and thus discouraging speculative raids on the dollar. The International Monetary Fund was strengthened by a supplementary borrowing arrangement, now before the Congress for implementation, which would permit the U. S. to draw foreign currencies of the industrial nations when and if needed to lessen pressure on the dollar. A slight lowering of European short-term interest rates, combined with U. S. monetary measures to keep our own short-term rates up, helped in this regard.

All of these measures have helped in reducing our over-all deficit from $3.9 billion in 1960, to $2.5 billion in 1961, and our gold outflow from $1.7 billion in 1960 to around $857 million in 1961.

But helpful and necessary as these measures were, however, they did not go to the basic problem -- that is, the deficit in our basic accounts which do not include short-term capital movements.

While in 1959 our basic deficit was $4.3 billion (greater than the over-all deficit, $3.7 billion), in 1960 it was $1.9 billion, and in 1961 it was reduced to only $0.6 billion. However, most of this improvement in the basic deficit stemmed from the recession in the United States while Europe and Japan were booming, thus discouraging our rate of imports in relation to exports. Moreover, the special debt prepayment of $700 million in 1961 also helped considerably in reducing the total.

Consequently, it is clear that this improvement is obviously not enough and, in recognition of this fact, a number of long-range measures have been undertaken or initiated to correct the basic deficit. Obviously, a major sector of the basic balance is our balance of non-military trade and services. But, while our balance on non-military goods and services, other than those financed by Government grants and capital, has been favorable to the extent of surpluses of $0.9 billion in 1959, $4.6 billion in 1960, and $5 billion in 1961, these surpluses have been insufficient to offset deficits attributable to military expenditures abroad ($3 billion in 1961), net aid expenditures (in 1961 they were $1.3 billion), private long-term investment abroad (in 1961, $2.6 billion), remittances and pensions (in 1961, $0.9 billion), and short-term capital outflows (in 1961, $1.8 billion). Thus, a major effort is being made to increase the trade surplus to meet this problem.

Accordingly, the principal attack on this problem of the basic deficit has concerned measures to expand our export trade and a number of programs to this end are under way.

The President has inaugurated an "E" Award Program to give recognition to persons and firms significantly contributing to the export expansion effort. Trade missions have been sent to a number of countries and have returned with new trade and investment opportunities. U. S. exhibitions have been mounted in trade fairs in Lima, New Delhi, Tunis, Accra and West Berlin. The National Export Expansion Council is preparing to launch programs for expanding international trade through 34 enlarged and reenergized Regional Councils. These Councils will be composed of over 1,000 businessmen with international commercial experience and they will recruit some 10,000 individual businessmen to go abroad seeking new trade opportunities. A new Business Service Center has been organized in Washington to provide expanded foreign market information and other related services to businessmen. The Department of Agriculture is also stepping up efforts to promote agricultural exports.

The Export-Import Bank, together with the Foreign Credit Insurance Association, recently announced a new program for issuing guarantees against commercial credit risks and political risks for export transactions with terms as long as five years. A number of promotional activities are being undertaken abroad to lure foreign tourists to the United States and our customs procedures are being simplified to make more gracious their welcome to our shores.

Of vital importance is the fact that the President recently submitted to the Congress a proposal to enact the Trade Expansion Act of 1962 which would broaden the power of the President to negotiate a reduction of tariff barriers, particularly with the Common Market. As you know, the United Kingdom is expected to join the European Economic Community which comprises the Common Market, and the resultant expansion of that Market will constitute a giant new economic unit within the Free World. Much has been said of both the opportunity and threat to our own businesses that are implicit in the development of the Common Market. It will suffice for my purpose to point out that if our exports are to be expanded, liberal access to the Common Market is essential. This can be achieved only by a reduction on a broad scale of its tariff barriers to our merchandise and inevitably requires a lessening of our own.

On the military front, a number of measures have been taken to curb official and private expenditures by our troops overseas. At the same time European countries have agreed to enlarge their purchases of U. S. military equipment. Our foreign economic aid programs have been revised to ensure that a maximum amount of U. S. grants and development loans are used to purchase U. S. machinery, equipment and services. American tourists' expenditures abroad have also been discouraged by a reduction from $500 to $100 in the tariff exemption granted to tourists returning to the United States.

In the field of taxation, the bill now before the House of Representatives in Congress would remove certain special tax advantages provided to United States investments abroad, so that domestic investment opportunities may compete for funds with foreign investment opportunities on a basis of greater economic equality.

Even more important in the tax area is another important provision which would give a tax credit to firms which invest at home in new plant and equipment. By this investment incentive tax credit, the Administration hopes to encourage modernization of our national industrial plant to make it better able to compete

with more modern industrial facilities existing in Europe. At the same time, the Internal Revenue Service is revising its depreciation rates for industrial equipment to take account of increasing rates of obsolescence. The Administration considers these two incentives vital both to the growth of our domestic economy and to enable us to compete favorably with the growing industrial strength of Europe.

Thus, you can see the Administration is making a major effort to reverse the basic deficit in our balance of payments as well as meet the immediate problem of short-term outflows. Added to this is the President's determination to have a balanced budget in fiscal 1963, to avoid inflation and give the world confidence that the U. S. firmly intends to keep its fiscal house in order.

If these efforts prove successful, and I am confident that they will, the United States will have met a major economic problem of the last four years and will be able to meet its military and economic aid responsibilities abroad without detriment to the national economy. Success, however, cannot be achieved by elected and appointed Administration officials alone. Citizens, particularly those whose influence and contributions are as essential as those represented by you in this room, must make the effort to fully understand both the problems and the professed cures in order to cooperate more intelligently and to see to it that your public servants have your mandate and support for those measures which you believe, after careful and comprehending thought, to be necessary or desirable.

TREASURY DEPARTMENT

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WASHINGTON, D.C.

March 30, 1962

FOR IMMEDIATE RELEASE

TREASURY DECISION ON $\frac{1}{4}$" DRILL CHUCKS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that $\frac{1}{4}$" geared key drill chucks from England 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 $64,000.

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United States Savings Bonds Issued and Redeemed Through March 31, 1962

(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
MATURED				
Series A-1935 - D-1941	$ 5,003	$ 4,987	$ 16	.32 %
Series F & G-1941 - 1949	26,082	25,854	228	.87
UNMATURED				
Series E: 3/				
1941	1,811	1,497	314	17.34
1942	7,998	6,597	1,401	17.52
1943	12,877	10,685	2,191	17.01
1944	14,992	12,342	2,650	17.68
1945	11,730	9,438	2,292	19.54
1946	5,261	3,995	1,265	24.04
1947	4,947	3,564	1,383	27.96
1948	5,093	3,550	1,544	30.32
1949	5,002	3,388	1,614	32.27
1950	4,354	2,846	1,508	34.63
1951	3,770	2,418	1,352	35.86
1952	3,932	2,379	1,553	39.50
1953	4,441	2,603	1,838	41.39
1954	4,494	2,567	1,927	42.88
1955	4,661	2,614	2,047	43.92
1956	4,480	2,503	1,977	44.13
1957	4,197	2,229	1,968	46.89
1958	4,047	1,979	2,069	51.12
1959	3,777	1,747	2,030	53.75
1960	3,747	1,508	2,239	59.75
1961	3,731	977	2,753	73.79
1962	330	-	330	100.00
Unclassified	330	354	-24	-
Total Series E	120,002	81,780	38,222	31.85
Series H-1952 - 1962 3/	8,151	1,586	6,564	80.53
Total Series E and H	128,152	83,366	44,786	34.95
Series F and G:				
1950	2,427	1,899	4/ 528	21.76
1951	792	411	381	48.11
1952	211	101	110	52.13
Unclassified	-	61	-61	-
Total Series F and G	3,430	2,473	957	27.90
Series J and K-1952 - 1957	3,677	1,851	1,826	49.66
Total Series F, G, J and K	7,107	4,324	2,783	39.16
All Series: Total matured	31,085	30,840	245	.79
All Series: Total unmatured	135,259	87,690	47,569	35.17
All Series: Grand Total	166,344	118,530	47,814	28.74

1/ Includes accrued discount.
2/ Current redemption value.
3/ At option of owner bonds may be held and will earn interest for additional periods after original maturity dates.
4/ Includes matured bonds which have not been presented for redemption.

OFFICE OF FISCAL ASSISTANT SECRETARY

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OFFICE OF FISCAL ASSISTANT SECRETARY

Division of the Office of the Comptroller of the Currency, handling matters relating to national banks in the Seventh and Ninth Federal Reserve Districts.

Mr. Taylor was born in Norfolk, Virginia, July 13, 1902. He graduated from Princeton University in the class of 1923. During World War II he entered the United States Navy as a Lieutenant in 1942, attaining the rank of Lieutenant Commander. He was placed on inactive duty in April 1946. He will continue to reside at his home, 4000 Massachusetts Ave., N.W., Washington, D. C.

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James J. Saxon, Comptroller of the Currency, said of Mr. Taylor that "no person whom I have known in the Office of the Comptroller of the Currency has enjoyed the respect and friendliness with which you are regarded throughout the national banking system. Always I have heard the same comment about you from literally hundreds of national bankers throughout the country firm, fair and friendly."

Mr. Taylor has been Deputy Comptroller since February, 1951. He was appointed an Assistant National Bank Examiner in July 1926 and has held positions as National Bank Examiner and Reorganization Examiner. In the latter capacity he assisted, during and immediately after the "banking holiday," in the development of plans of reorganization or recapitalization for national banks in the Fifth Federal Reserve District. In April 1946, he was appointed Assistant Chief National Bank Examiner in the Examining

For immediate Release

WILLIAM M. TAYLOR, DEPUTY COMPTROLLER OF THE CURRENCY, GIVEN EXCEPTIONAL SERVICE AWARD; TO RETIRE APRIL 1, 1962.

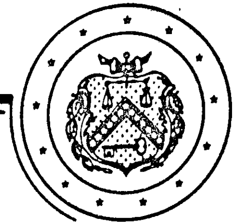
Secretary Douglas Dillon today presented the Treasury's Exceptional Service Award to William M. Taylor, Deputy Comptroller of the Currency, who is retiring on April 1, after more than 35 years service in the Office of the Comptroller.

The award is symbolized by a gold medal, a lapel device and an inscribed certificate signed by the Secretary of the Treasury. It is conferred only upon those Treasury employees who distinguish themselves by exceptionally valuable service within or beyond their required duties.

In response to Mr. Taylor's retirement request, Secretary Dillon wrote him that "The Treasury Department is indeed proud of your exceedingly fine record, in which you also must find immense satisfaction. The distinguished thirty-five year career which you have devoted to the Office of the Comptroller of the Currency has been made well known to me by a number of your associates and your many friends throughout the banking fraternity. Your uniquely

C-413

TREASURY DEPARTMENT



WASHINGTON, D.C.

March 29, 1962

FOR IMMEDIATE RELEASE

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Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

	Dec. 30, 1961	Sept. 27, 1961	Dec. 31, 1960	Increase or decrease since Sept. 27, 1961		Increase or decrease since Dec. 31, 1960	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	67,138,117	60,131,865	63,131,263	7,006,252	11.65	4,006,854	6.35
Time and savings	42,034,484	41,379,308	36,761,292	655,176	1.58	5,273,192	14.34
Deposits of U.S. Government	3,519,063	4,835,726	3,448,244	-1,316,663	-27.23	70,819	2.05
Postal savings deposits	7,952	7,969	8,300	-17	-.21	-348	-4.19
Deposits of States and political subdivisions	10,270,143	9,164,153	9,297,327	1,105,990	12.07	972,816	10.46
Deposits of banks	10,463,584	8,252,977	10,439,491	2,210,607	26.79	24,093	.23
Other deposits (certified and officers' checks, etc.)	2,077,274	1,399,562	1,824,934	677,712	48.42	252,340	13.83
Total deposits	135,510,617	125,171,560	124,910,851	10,339,057	8.26	10,599,766	8.49
Rediscounts and other liabilities for borrowed money	224,615	1,085,863	110,590	-861,248	-79.31	114,025	103.11
Other liabilities	3,198,514	3,247,223	3,141,088	-48,709	-1.50	57,426	1.83
Total liabilities, excluding capital accounts	138,933,746	129,504,646	128,162,529	9,429,100	7.28	10,771,217	8.40
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,573,976	3,506,951	3,341,320	67,025	1.91	232,656	6.96
Preferred	3,268	3,268	1,530			1,738	113.59
Total	3,577,244	3,510,219	3,342,850	67,025	1.91	234,394	7.01
Surplus	5,935,779	5,655,738	5,446,143	280,041	4.95	489,636	8.99
Undivided profits	2,080,103	2,237,432	2,030,052	-157,329	-7.03	50,051	2.47
Reserves	282,180	275,228	279,293	6,952	2.53	2,887	1.03
Total surplus, profits and reserves	8,298,062	8,168,398	7,755,488	129,664	1.59	542,574	7.00
Total capital accounts	11,875,306	11,678,617	11,098,338	196,689	1.68	776,968	7.00
Total liabilities and capital accounts	150,809,052	141,183,263	139,260,867	9,625,789	6.82	11,548,185	8.29
RATIOS:	Percent	Percent	Percent				
U.S.Gov't securities to total assets	23.93	25.31	34.49				
Loans & discounts to total assets	44.63	46.13	45.74				
Capital accounts to total deposits	8.76	9.33	8.89				

NOTE: Minus sign denotes decrease.

Statement showing comparison of principal items of assets and liabilities of active national banks as of Dec. 30, 1961, Sept. 27, 1961 and Dec. 31, 1960

(In thousands of dollars)

	Dec. 30, 1961	Sept. 27, 1961	Dec. 31, 1960	Increase or decrease since Sept. 27, 1961		Increase or decrease since Dec. 31, 1960	
				Amount	Percent	Amount	Percent
Number of banks	4,513	4,523	4,530	-10		-17	
ASSETS							
Commercial and industrial loans	24,885,922	23,787,422	23,979,387	1,098,500	4.62	906,535	3.78
Loans on real estate	16,547,006	16,205,767	15,534,206	341,239	2.11	1,012,800	6.52
Loans to financial institutions	4,616,737	4,977,590	4,279,954	-360,853	-7.25	336,783	7.87
All other loans	22,698,261	21,511,864	21,206,658	1,186,397	5.51	1,491,603	7.03
Total gross loans	68,747,926	66,482,643	65,000,205	2,265,283	3.41	3,747,721	5.77
Less valuation reserves	1,439,192	1,355,944	1,306,537	83,248	6.14	132,655	10.15
Net loans	67,308,734	65,126,699	63,693,668	2,182,035	3.35	3,615,066	5.68
U. S. Government securities:							
Direct obligations	35,959,763	35,613,945	32,615,321	345,818	.97	3,344,442	10.25
Obligations fully guaranteed	127,915	124,167	96,402	3,748	3.02	31,513	32.69
Total U. S. securities	36,087,678	35,738,112	32,711,723	349,566	.98	3,375,955	10.32
Obligations of States and political subdivisions	11,077,350	10,630,990	9,408,711	446,360	4.20	1,668,639	17.74
Other bonds, notes and debentures	1,569,230	1,590,467	1,407,576	-21,237	-1.34	161,654	11.48
Corporate stocks, including stocks of Federal Reserve banks	359,281	340,572	324,184	18,709	5.49	35,097	10.83
Total securities	49,093,539	48,300,141	43,852,194	793,398	1.64	5,241,345	11.95
Total loans and securities	116,402,273	113,426,840	107,545,862	2,975,433	2.62	8,856,411	8.24
Currency and coin	1,923,655	2,024,877	1,721,492	-101,222	-5.00	202,163	11.74
Reserve with Federal Reserve banks	10,821,272	10,036,033	10,641,581	785,239	7.82	179,691	1.69
Balances with other banks	18,333,518	12,428,725	16,311,433	5,904,793	47.51	2,022,085	12.40
Total cash, balances with other banks, and cash items in process of collection	31,078,445	24,489,635	28,674,506	6,588,810	26.90	2,403,939	8.38
Other assets	3,328,334	3,266,788	3,040,499	61,546	1.88	287,835	9.47
Total assets	150,809,052	141,183,263	139,260,867	9,625,789	6.82	11,548,185	8.29

Loans to brokers and dealers in securities and to others for the purpose of purchasing or carrying stocks, bonds, and other securities of $2,375,000,000 increased $260,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $13,655,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,439,192,000) to total assets on December 30, 1961 was 44.63 in comparison with 45.74 on December 31, 1960.

Total investments of the banks in bonds, stocks, and other securities aggregated $49,100,000,000. Included in the investments were obligations of the United States Government of $36,088,000,000 ($127,915,000 of which were guaranteed obligations). These investments, representing 23.93 percent of total assets, showed an increase of $3,376,000,000 since December 31, 1960. Other bonds, stocks, and securities of $13,006,000,000, including $11,077,000,000 of obligations of States and other political subdivisions, showed an increase of $1,865,000,000.

Cash of $1,924,000,000, reserves with Federal Reserve banks of $10,821,000,000, and balances with other banks (including cash items in process of collection) of $18,334,000,000, a total of $31,100,000,000, showed an increase of $2,404,000,000.

Rediscounts and other liabilities for borrowed money of $224,615,000 showed an increase of $114,025,000 in the year.

Total capital funds of the banks on December 30, 1961 of $11,875,000,000, equal to 8.76 percent of total deposits, were $777,000,000 more than in December 1960 when they were 8.89 percent of total deposits. Included in the capital funds were capital stock of $3,577,000,000, of which $3,268,000 was preferred stock; surplus of $5,936,000,000; undivided profits of $2,080,000,000 and capital reserves of $282,000,000.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A.M. NEWSPAPERS,
MONDAY, APRIL 2, 1962

COMPTROLLER OF THE CURRENCY REPORTS TOTAL ASSETS AND LIABILITIES
OF ACTIVE NATIONAL BANKS ON DECEMBER 30, 1961

The total assets of the 4,513 active national banks in the United States and possessions on December 30, 1961 amounted to $150,800,000,000, it was announced today by Comptroller of the Currency James J. Saxon. The total assets showed an increase of $11,500,000,000 over the amount reported by the 4,530 banks on December 31, 1960.

The deposits of the banks on December 30, 1961 were $135,500,000,000, an increase of $10,600,000,000 in the year. Included in the deposit figures were demand deposits of individuals, partnerships, and corporations of $67,100,000,000, an increase of $4,000,000,000, and time and savings deposits of individuals, partnerships, and corporations of $42,000,000,000, an increase of $5,300,000,000. Deposits of the United States Government of $3,519,000,000 increased $71,000,000; deposits of States and political subdivisions of $10,300,000,000 increased $973,000,000; and deposits of banks of $10,464,000,000 increased $24,000,000. Postal savings deposits were $7,952,000 and certified and officers' checks, etc. were $2,100,000,000.

Gross loans and discounts on December 30, 1961 of $68,700,000,000 showed an increase of $3,748,000,000 over December 31, 1960. Commercial and industrial loans amounted to $24,886,000,000 and increased $907,000,000 during the year, while loans on real estate of $16,547,000,000 increased $1,013,000,000. Loans to financial institutions amounted to $4,617,000,000, an increase of $337,000,000. Retail automobile installment loans of $5,059,000,000 showed an increase of $58,000,000. Other types of retail installment loans of $1,609,000,000 showed a decrease of $20,558,000

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TREASURY DEPARTMENT
Comptroller of the Currency
Washington

RELEASE A.M. NEWSPAPERS,
MONDAY, APRIL 2, 1962

COMPTROLLER OF THE CURRENCY REPORTS TOTAL ASSETS AND LIABILITIES OF ACTIVE NATIONAL BANKS ON DECEMBER 30, 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 $2,375,000,000 increased $260,000,000. Other loans, including loans to farmers and other loans to individuals (repair and modernization and installment cash loans, and single-payment loans) amounted to $13,655,000,000. The percentage of net loans and discounts (after deduction of valuation reserves of $1,439,192,000) to total assets on December 30, 1961 was 44.63 in comparison with 45.74 on December 31, 1960.

Total investments of the banks in bonds, stocks, and other securities aggregated $49,100,000,000. Included in the investments were obligations of the United States Government of $36,088,000,000 ($127,915,000 of which were guaranteed obligations). These investments, representing 23.93 percent of total assets, showed an increase of $3,376,000,000 since December 31, 1960. Other bonds, stocks, and securities of $13,006,000,000, including $11,077,000,000 of obligations of States and other political subdivisions, showed an increase of $1,865,000,000.

Cash of $1,924,000,000, reserves with Federal Reserve banks of $10,821,000,000, and balances with other banks (including cash items in process of collection) of $18,334,000,000, a total of $31,100,000,000, showed an increase of $2,404,000,000.

Rediscounts and other liabilities for borrowed money of $224,615,000 showed an increase of $114,025,000 in the year.

Total capital funds of the banks on December 30, 1961 of $11,875,000,000, equal to 8.76 percent of total deposits, were $777,000,000 more than in December 1960 when they were 8.89 percent of total deposits. Included in the capital funds were capital stock of $3,577,000,000, of which $3,268,000 was preferred stock; surplus of $5,936,000,000; undivided profits of $2,080,000,000 and capital reserves of $282,000,000.

Statement showing comparison of principal items of assets and liabilities of active national banks as of Dec. 30, 1961, Sept. 27, 1961 and Dec. 31, 1960

(In thousands of dollars)

	Dec. 30, 1961	Sept. 27, 1961	Dec. 31, 1960	Increase or decrease since Sept. 27, 1961		Increase or decrease since Dec. 31, 1960	
				Amount	Percent	Amount	Percent
Number of banks	4,513	4,523	4,530	-10		-17	
ASSETS							
Commercial and industrial loans	24,885,922	23,787,422	23,979,387	1,098,500	4.62	906,535	3.78
Loans on real estate	16,547,006	16,205,767	15,534,206	341,239	2.11	1,012,800	6.52
Loans to financial institutions	4,616,737	4,977,590	4,279,954	-360,853	-7.25	336,783	7.87
All other loans	22,698,261	21,511,864	21,206,658	1,186,397	5.51	1,491,603	7.03
Total gross loans	68,747,926	66,482,643	65,000,205	2,265,283	3.41	3,747,721	5.77
Less valuation reserves	1,439,192	1,355,944	1,306,537	83,248	6.14	132,655	10.15
Net loans	67,308,734	65,126,699	63,693,668	2,182,035	3.35	3,615,066	5.68
U. S. Government securities:							
Direct obligations	35,959,763	35,613,945	32,615,321	345,818	.97	3,344,442	10.25
Obligations fully guaranteed	127,915	124,167	96,402	3,748	3.02	31,513	32.69
Total U. S. securities	36,087,678	35,738,112	32,711,723	349,566	.98	3,375,955	10.32
Obligations of States and political subdivisions	11,077,350	10,630,990	9,408,711	446,360	4.20	1,668,639	17.74
Other bonds, notes and debentures	1,569,230	1,590,467	1,407,576	-21,237	-1.34	161,654	11.48
Corporate stocks, including stocks of Federal Reserve banks	359,281	340,572	324,184	18,709	5.49	35,097	10.83
Total securities	49,093,539	48,300,141	43,852,194	793,398	1.64	5,241,345	11.95
Total loans and securities	116,402,273	113,426,840	107,545,862	2,975,433	2.62	8,856,411	8.24
Currency and coin	1,923,655	2,024,877	1,721,492	-101,222	-5.00	202,163	11.74
Reserve with Federal Reserve banks	10,821,272	10,036,033	10,641,581	785,239	7.82	179,691	1.69
Balances with other banks	18,333,518	12,428,725	16,311,433	5,904,793	47.51	2,022,085	12.40
Total cash, balances with other banks, and cash items in process of collection	31,078,445	24,489,635	28,674,506	6,588,810	26.90	2,403,939	8.38
Other assets	3,328,334	3,266,788	3,040,499	61,546	1.88	287,835	9.47
Total assets	150,809,052	141,183,263	139,260,867	9,625,789	6.82	11,548,185	8.29

Comparison of principal items of assets and liabilities of active national banks - Continued

(In thousands of dollars)

	Dec. 30, 1961	Sept. 27, 1961	Dec. 31, 1960	Increase or decrease since Sept. 27, 1961		Increase or decrease since Dec. 31, 1960	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships, and corporations:							
Demand	67,138,117	60,131,865	63,131,263	7,006,252	11.65	4,006,854	6.35
Time and savings	42,034,484	41,379,308	36,761,292	655,176	1.58	5,273,192	14.34
Deposits of U.S. Government	3,519,063	4,835,726	3,448,244	-1,316,663	-27.23	70,819	2.05
Postal savings deposits	7,952	7,969	8,300	-17	-.21	-348	-4.19
Deposits of States and political subdivisions	10,270,143	9,164,153	9,297,327	1,105,990	12.07	972,816	10.46
Deposits of banks	10,463,584	8,252,977	10,439,491	2,210,607	26.79	24,093	.23
Other deposits (certified and officers' checks, etc.)	2,077,274	1,399,562	1,824,934	677,712	48.42	252,340	13.83
Total deposits	135,510,617	125,171,560	124,910,851	10,339,057	8.26	10,599,766	8.49
Rediscounts and other liabilities for borrowed money	224,615	1,085,863	110,590	-861,248	-79.31	114,025	103.11
Other liabilities	3,198,514	3,247,223	3,141,088	-48,709	-1.50	57,426	1.83
Total liabilities, excluding capital accounts	138,933,746	129,504,646	128,162,529	9,429,100	7.28	10,771,217	8.40
CAPITAL ACCOUNTS							
Capital stock:							
Common	3,573,976	3,506,951	3,341,320	67,025	1.91	232,656	6.96
Preferred	3,268	3,268	1,530			1,738	113.59
Total	3,577,244	3,510,219	3,342,850	67,025	1.91	234,394	7.01
Surplus	5,935,779	5,655,738	5,446,143	280,041	4.95	489,636	8.99
Undivided profits	2,080,103	2,237,432	2,030,052	-157,329	-7.03	50,051	2.47
Reserves	282,180	275,228	279,293	6,952	2.53	2,887	1.03
Total surplus, profits and reserves	8,298,062	8,168,398	7,755,488	129,664	1.59	542,574	7.00
Total capital accounts	11,875,306	11,678,617	11,098,338	196,689	1.68	776,968	7.00
Total liabilities and capital accounts	150,809,052	141,183,263	139,260,867	9,625,789	6.82	11,548,185	8.29
RATIOS:	Percent	Percent	Percent				
U.S.Gov't securities to total assets	23.93	25.31	34.49				
Loans & discounts to total assets	44.63	46.13	45.74				
Capital accounts to total deposits	8.76	9.33	8.89				

NOTE: Minus sign denotes decrease.

Draft Release

(Info letterhead)

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March 30, 1962

FOR IMMEDIATE RELEASE

WILLIAM T. HEFFELFINGER RECEIVES HIGHEST TREASURY AWARD

Treasury after nearly 44 years of service in the Treasury.

Mr. Heffelfinger, who began his career in 1917 under Secretary McAdoo, has risen from messenger to the senior Civil Service job in the Treasury.

In presenting the award, Secretary Dillon noted that Mr. Heffelfinger has been a part of the Treasury Department during more than one quarter of the institution's 173-year history. He said:

"In the course of nearly a half century of experience in dealing with the fiscal problems of the United States Government, Bill Heffelfinger has seen the total receipts and expenditures of the Federal Government grow nearly a hundred-fold. It is a measure of his stature as an executive that he has always kept up with the rapid changes occuring as a result of the growth of America's population, wealth, and power. His vigorous use of the new possibilities presented by an expanding technology is a stirring example of what the application of intelligence, perseverance, and resourcefulness can do. I would hate to think what our situation would be now if it had not been for his early recognition of the need to speed the introduction of automatic data processing equipment in issuing Government checks and Savings Bonds."

The citation accompanying the award refers to Mr. Heffelfinger's "distinguishing characteristics of integrity, ability, and responsibility, joined to his unparalleled experience," and says that "his skilled leadership in the complex field of fiscal affairs has made a lasting contribution to the Treasury Department."

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 30, 1962

FOR IMMEDIATE RELEASE

WILLIAM T. HEFFELFINGER RECEIVES HIGHEST TREASURY AWARD

Secretary of the Treasury Douglas Dillon today presented the Alexander Hamilton Award, the highest honor the Treasury can give, to William T. Heffelfinger, who retires March 31 as Fiscal Assistant Secretary of the Treasury after nearly 45 years of service in the Treasury.

Mr. Heffelfinger, who began his career in 1917 under Secretary McAdoo, has risen from messenger to the senior Civil Service job in the Treasury.

In presenting the award, Secretary Dillon noted that Mr. Heffelfinger has been a part of the Treasury Department during more than one quarter of the institution's 173-year history. He said: "It is a measure of his stature as an executive that he has always kept up with the rapid changes occurring as a result of the growth of America's population, wealth, and power. His vigorous use of the new possibilities presented by an expanding technology is a stirring example of what the application of intelligence, perseverance, and resourcefulness can do. I would hate to think what our situation would be now if it had not been for his early recognition of the need to speed the introduction of automatic data processing equipment in issuing Government checks and Savings Bonds."

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D-445

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 3, 1962.

April 2, 1962

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 January 4, 1962, and the other series to be dated April 5, 1962, which were offered on March 28, were opened at the Federal Reserve Banks on April 2. Tenders were invited for $1,200,000,000, 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 July 5, 1962		:	182-day Treasury bills maturing October 4, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.305 a/	2.749%	:	98.555 b/	2.858%
Low	99.300	2.769%	:	98.542	2.884%
Average	99.303	2.757% 1/	:	98.546	2.875% 1/

a/ Excepting 3 tenders totaling $500,000; b/ Excepting 1 tender of $300,000
14 percent of the amount of 91-day bills bid for at the low price was accepted
30 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	$ 28,919,000	$ 10,647,000	:	$ 2,353,000	$ 2,353,000
New York	1,557,009,000	758,557,000	:	980,753,000	483,353,000
Philadelphia	22,619,000	7,569,000	:	21,806,000	5,214,000
Cleveland	43,903,000	20,117,000	:	36,176,000	22,126,000
Richmond	14,260,000	9,081,000	:	5,417,000	4,966,000
Atlanta	19,680,000	14,880,000	:	6,049,000	4,929,000
Chicago	343,098,000	240,294,000	:	107,510,000	38,785,000
St. Louis	25,968,000	15,640,000	:	8,385,000	5,010,000
Minneapolis	21,888,000	12,828,000	:	4,667,000	2,117,000
Kansas City	23,883,000	22,483,000	:	6,020,000	4,624,000
Dallas	23,042,000	12,999,000	:	12,245,000	7,245,000
San Francisco	100,983,000	75,543,000	:	25,845,000	19,745,000
TOTALS	$2,225,252,000	$1,200,638,000 c/		$1,217,226,000	$600,467,000 d/

c/ Includes $180,126,000 noncompetitive tenders accepted at the average price of 99.303
d/ Includes $48,512,000 noncompetitive tenders accepted at the average price of 98.546
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.81%, 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

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WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 3, 1962.

April 2, 1962

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High	99.305 a/	2.749%	98.555 b/	2.858%
Low	99.300	2.769%	98.542	2.884%
Average	99.303	2.757% 1/	98.546	2.875% 1/

a/ Excepting 3 tenders totaling $500,000; b/ Excepting 1 tender of $300,000
14 percent of the amount of 91-day bills bid for at the low price was accepted
30 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	$ 28,919,000	$ 10,647,000	$ 2,353,000	$ 2,353,000
New York	1,557,009,000	758,557,000	980,753,000	483,353,000
Philadelphia	22,619,000	7,569,000	21,806,000	5,214,000
Cleveland	43,903,000	20,117,000	36,176,000	22,126,000
Richmond	14,260,000	9,081,000	5,417,000	4,966,000
Atlanta	19,680,000	14,880,000	6,049,000	4,929,000
Chicago	343,098,000	240,294,000	107,510,000	38,785,000
St. Louis	25,968,000	15,640,000	8,385,000	5,010,000
Minneapolis	21,888,000	12,828,000	4,667,000	2,117,000
Kansas City	23,883,000	22,483,000	6,020,000	4,624,000
Dallas	23,042,000	12,999,000	12,245,000	7,245,000
San Francisco	100,983,000	75,543,000	25,845,000	19,745,000
TOTALS	$2,225,252,000	$1,200,638,000 c/	$1,217,226,000	$600,467,000 d/

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d/ Includes $48,512,000 noncompetitive tenders accepted at the average price of 98.546
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.81%, 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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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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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 April 16, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 15, 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

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE April 3, 1962

XXXXXXXXXXX(1)XXXXXXXXXXXXXXXX

TREASURY TO REFUND $2 BILLION OF ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $2,000,000,000 (2), or thereabouts, of 365 (3) -day Treasury bills, for cash and in exchange for Treasury bills maturing April 15, 1962 (4), in the amount of $2,000,462,000 (5), to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated April 15, 1962 (6), and will mature April 15, 1963 (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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Tuesday, April 10, 1962 (8). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 (9) 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.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 3, 1962

FOR IMMEDIATE RELEASE

TREASURY TO REFUND $2 BILLION OF ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $2,000,000,000, or thereabouts, of 365-day Treasury bills, for cash and in exchange for Treasury bills maturing April 15, 1962, in the amount of $2,000,462,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated April 15, 1962, and will mature April 15, 1963, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Tuesday, April 10, 1962. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365-days, the discount rate will be computed on a bank discount basis of 360-days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement

will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $400,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on April 16, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 15, 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.

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

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JOINT ~~PRESS RELEASE~~ STATEMENT

The Minister of Finance of Brazil, Walther Moreira Salles, and Secretary of the Treasury Douglas Dillon announced today the successful completion of financial discussions between the two Governments.

~~On March 15, 1962,~~ The Government of Brazil recently adopted a new program for financial recovery and has taken steps to put that program into effect. The United States Government is prepared to effect releases out of the remaining balance -- totaling $129 million -- of the funds earmarked for Brazil in May, 1961 as the financial program is effectively carried out and as mutually agreed between the two Governments.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

FOR RELEASE AT 4 P.M., EST.
TUESDAY, APRIL 3, 1962

JOINT BRAZILIAN-U.S. STATEMENT

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D-448

TREASURY DEPARTMENT
Washington

April 4, 1962

FACT SHEET CONCERNING TREASURY BORROWING OF ITALIAN LIRE AND REPAYMENT OF SWISS FRANC OBLIGATIONS

1. The Treasury's Daily Statement of March 30, 1962 shows that the United States Treasury issued during March, a certificate of indebtedness denominated in Italian lire to the equivalent of $50 million. The certificate bears interest at a rate of 2.75 per cent per annum. Lire balances held by the Treasury will also earn interest. This is the Treasury's second borrowing of Italian lire and brings the total borrowed to $75 million equivalent; the first borrowing was made in January.

2. The borrowing of additional lire by the Treasury was undertaken to further increase the resources which provide a basis for flexible and effective operations in the market for both spot and forward lire. Treasury operations in Italian lire, as well as in other currencies have mainly involved operations in the forward market. As Governor Carli of the Bank of Italy has noted, these operations have been conducted "within a framework of monetary cooperation."

3. The Treasury's Daily Statement of March 30, 1962 also shows that the Treasury redeemed during March a certificate of indebtedness payable in Swiss francs totaling $23 million equivalent. A similar amount was redeemed in January. No certificates of indebtedness denominated in Swiss francs remain outstanding. The continued satisfactory development of the spot and forward markets for Swiss francs as against U. S. dollars has permitted the Treasury to acquire Swiss franc resources through the market.

4. These operations represent steps taken by the Treasury, in cooperation with financial authorities abroad, to meet the temporary and shifting pressures in the exchange market.

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

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

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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 Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated January 11, 1962, (91 days remaining until maturity date on July 12, 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 Banks on April 12, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 12, 1962. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 4, 1962

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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 $1,800,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 12, 1962, in the amount of $1,700,990,000, as follows:

91-day bills (to maturity date) to be issued April 12, 1962, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated January 11, 1962, and to mature July 12, 1962, originally issued in the amount of $599,939,000, the additional and original bills to be freely interchangeable.

182-day bills, for $600,000,000, or thereabouts, to be dated April 12, 1962, and to mature October 11, 1962.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 9, 1962. 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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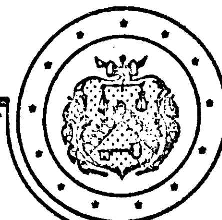

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deposits required to be paid when subscriptions are entered, and banks will be required to make the usual certification to that effect.

All subscribers to the bonds are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of the securities subscribed for under this offering, until after midnight April 9.

public pension and retirement and other public funds, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, will be received without deposit. Subscriptions from all others must be accompanied by payment of 25 percent of the amount of bonds applied for, not subject to withdrawal until after allotment. Subscriptions from commercial banks for their own account will be restricted in each case to an amount not exceeding 5 percent of the combined amount of time and savings deposits, including time certificates of deposit, or 25 percent of the combined capital, surplus and undivided profits, of the subscribing bank, whichever is greater.

The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of bonds applied for, and to make different percentage allotments to various classes of subscribers.

Commercial banks and other lenders are requested to refrain from making unsecured loans, or loans collateralized in whole or in part by the bonds subscribed for, to cover the

FOR IMMEDIATE RELEASE April 5, 1962

TREASURY WILL BORROW $1 BILLION
BY OFFERING 3-3/4% BONDS OF 1968

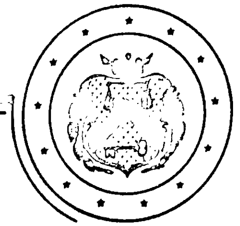
The Treasury announced today that on Monday, April 9, it will offer for cash subscription $1 billion, or thereabouts, of 3-3/4% Treasury bonds to be dated April 18, 1962, and to mature August 15, 1968. The bonds are to be offered at par. Payment may be made through credit to Treasury Tax and Loan Accounts, and will be due on April 18.

In addition to the amount of bonds to be offered for public subscription, the Secretary of the Treasury reserves the right to allot up to $100 million of the bonds to Government Investment Accounts.

Subscriptions will be received for one day only, on Monday, April 9. All subscriptions for the bonds addressed to a Federal Reserve Bank, or to the Treasurer of the United States, Washington 25, D. C., and placed in the mail before midnight, April 9, will be considered as timely.

Subscriptions to the 3-3/4% Treasury Bonds of 1968 from banking institutions generally for their own account and from States, political subdivisions or instrumentalities thereof,

TREASURY DEPARTMENT



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Commercial banks and other lenders are requested to refrain from making unsecured loans, or loans collateralized in whole or in part by the bonds subscribed for, to cover the deposits required to be paid when subscriptions are entered, and banks will be required to make the usual certification to that effect.

All subscribers to the bonds are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of the securities subscribed for under this offering, until after midnight April 9.

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

EXCERPTS FROM REMARKS OF ROBERT V. ROOSA,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE
THE SECRETARY OF LABOR'S CONFERENCE WITH
EDITORS AND REPORTERS
INTERDEPARTMENTAL AUDITORIUM
WASHINGTON, D. C.
APRIL 6, 1962, 1:30 P.M.

Progress has been made over the past year toward our domestic objectives. Nevertheless, I need not remind this audience that we are still far short of our goals. Unemployment has remained too high in total, and depressed areas and a hard core of long-term idle mar our general prosperity with pockets of personal hardship and waste. Income and production, while running well above year ago levels, fall far short of our current potential. And, the gratifying recovery from the recent recession does not mean that we have yet solved the longer-range problem of sustaining a faster rate of growth over the years ahead.

Visible progress - but with much still to be done - also sums up the status of our international economic relationships. The deficit in our balance of payments was reduced in 1961, but it remained far too large for comfort. So long as it continues, it will remain as a threat to all our achievements at home and abroad . . . .

In concentrating on our balance of payments in my own remarks today, I should emphasize one point right at the start. We can't think of our economic problems - domestic and foreign - as falling into neat little compartments, separated one from another, with the solution to one problem independent of the means chosen to attack the other. The plain fact is that we cannot maintain confidence in the dollar and an edge in export markets unless we have a dynamic, efficient economy at home, with steady gains in productivity and stable prices. Nor can we press vigorously toward more rapid growth and full employment at home if our international position is weak and deteriorating. The challenge before us is to seek out and apply those policies that will contribute to each of our goals simultaneously - firmly rejecting those measures that seem to promise a quick and easy solution to one problem at the grave risk of aggravating another . . . .

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The Urgency of the Balance of Payments Problem

_The fact is that any real cure /for the balance of payments problem/ will take time. We have the necessary time, by virtue of our still large reserves of gold, amounting to over 40% of the monetary stocks of the free world. But even that large reserve cannot buy time to waste. The monetary system of the free world depends on a stable dollar - and its acceptability as a substitute for gold. Dollars are part of the basic reserves of nearly every country of the free world, and they are used to finance a large share of world trade. Should confidence in our ability to control our deficit be lost - and the future value of the dollar be placed in doubt - the whole structure of the international payments system would be endangered, and with it the bright prospect for expanded trade among nations, to the benefit of all . . . .

Our own foreign trade is relatively small compared to our total economy, but it is nonetheless vital - even the United States is far from self-sufficient. Moreover, our own trade is a large part of total world trade, and our friends and allies are dependent on access to our markets and the ability to buy our products. Finally, the state of our balance of payments is a measure of our ability to finance the burdens imposed by leadership in the defense of the free world and economic assistance to less developed countries struggling to find the path to freedom and prosperity . . . . .

The United States has been able to finance its recent large deficits because it fortunately had, and still has, a very large gold stock, and because other countries are willing to hold dollars as a substitute for gold. Dollar holdings of foreign governments and central bankers now total $12 billion, and another $10 billion is held by private parties abroad and international institutions. Those dollars will be held only so long as the dollar is reliable - reliable as a currency whose convertibility into gold is assured and reliable as a solid claim, undiluted by inflation, on the enormous resources of our abundant economy. The task before us is to maintain that reliability unquestioned . . .

This is why it is so urgent that we attack our balance of payments problem with all the vigor at our command - and that we do so while we still have time to choose means that are fully consistent with all our other objectives.

The Attack on the Deficit

Some of the measures we have taken /to attack the deficit/ are clearly the primary responsibility of Government. This has included a careful review of all Government programs to prune away all spending abroad that is not essential to the basic objectives of our defense and economic assistance programs. Other measures depend upon the cooperation of other countries - particularly those industrialized countries, concentrated largely on the continent of Western Europe, whose large balance of payments surpluses are the counterpart of our deficits. In this connection, sizable advance prepayments of debt in 1961 were one important - but temporary - factor in the improvement in our balance of payments in 1961. This year, we hope to negotiate some further debt prepayments of this sort, but more important will be transfers of over $1 billion to this country to pay for purchases of military equipment and services, offsetting a large portion of our $3 billion expenditure to support our military forces abroad. And, we are also trying to encourage other nations capable of doing so to assume a larger share of the common burden of assisting the progress of underdeveloped countries.

These measures, however, are not enough. What is needed, for full success in the years ahead, is a larger export surplus. That is the only way, we can hope to balance our accounts, and at the same time meet our other national objectives, in a manner consistent with expanding world trade and more rapid growth at home and abroad.

Government has an important role to play in this effort, too. We have intensified all our efforts to assist American businessmen in penetrating foreign markets. Thus, export credit insurance has been made available on a broader, more comprehensive basis through the combined efforts of the Export-Import Bank and private insurance companies. Foreign market surveys by our Foreign Service increased by 73% in 1961, and the Department of Commerce has improved its facilities for meeting the needs of American exporters. We are now participating in international trade fairs in all parts of the world to familiarize foreign businessmen with American products and firms. And, over 1,000 businessmen are being asked to serve on regional Export Expansion Councils.

Greater Efficiency and Stable Prices

All these efforts to expand exports to be successful, must rest on a solid base - our ability to supply to the markets of the world an ever-increasing supply of new and improved products at attractive prices. We have vast advantages in natural resources, a research effort unmatched in the world, and an energetic, efficient, and highly educated labor force. The task is to capitalize on these advantages by expanding productivity and maintaining stable prices.

That is why we in the Treasury, and the Administration generally, have attached priority to measures - including both a tax credit and revised depreciation guidelines - to improve the climate for new investment in this country, so that our factories may be modernized more rapidly and we may fully exploit the latest technology . . . .

A higher rate of investment is the main road to greater efficiency and more output, but those gains will afford us little, in terms of our balance of payments, if they are accompanied by higher prices. The need for price stability - for conscious restraint on costs - over the months and years ahead is the essential message of our recent deficits in our balance of payments. We cannot afford to repeat the pattern of the 1950's. From 1953 to 1960, our export prices for manufactured goods rose 14 per cent relative to those of our major competitors abroad, and at the same time our share of world exports fell off. Our record in that respect over the past year or two has been much better; we must see that it remains so as our resources become more fully employed.

I know of no simple path to this objective. Certainly, Government itself must shape its over-all fiscal program in a manner that avoids contributing to upward price pressures. Monetary policy, too, must remain flexible - ready to provide the funds necessary to finance growth without creating excessive liquidity. But, in the end, it is the countless decisions arrived at in collective bargaining sessions and pricing conferences that are the critical factors - decisions that are and will remain voluntary and private in nature, but which should be taken in full awareness of where the broader public interest lies.

Today, there should be little confusion on that point. I will not recite to you here all the Administration has been doing to bring this message to both labor and management. But let me be perfectly clear that cost restraint and price stability must be an essential part of any program to balance our international accounts.

The Trade Expansion Act

As you know, the Administration has proposed a new Trade Expansion Act, which would permit reciprocal tariff reductions for broad categories of goods. This program has important implications for our foreign policy and military objectives, but it is also a vital part of our effort to assure that we can maintain a balance in our international accounts over the years ahead. All our efforts to improve efficiency and remain competitive could be frustrated if we are not permitted access to foreign markets without encountering unsurmountable tariff barriers.

It is the rise of the Common Market that brings this problem to the fore with such urgency today. As you know, the "Six" have been moving rapidly - more rapidly than was thought possible only a few years ago - toward integration. External tariffs - against the United States and all other countries - are in the process of being adjusted to a common level. This means, quite simply, that a sort of average will be struck, for relatively broad categories of goods, between the low tariff members and the high. In too many cases, this will mean that our current markets in Europe are threatened, with prospects poor for surmounting the new "common tariff."

The importance of this for us can hardly be exaggerated. Western Europe takes nearly a third of our own exports, largely concentrated in manufactured goods and agricultural products - precisely those types of goods where both the potential impact of the common tariff and further export opportunities are likely to be greatest. Nor can we neglect the potential impact on other countries - developed or underdeveloped - whose export markets are threatened, including countries like Canada and Japan that are among our best customers.

The striking innovations in the Trade Expansion Act are aimed directly at the new problems that have emerged. For the first time, the President would be authorized to enter into agreements, that would move commodities to the "Free List." These would, aside from certain agricultural, forestry and low tariff products, be goods in which the Common Market and the United States together already have a dominant trading position - amounting to 80 per cent or more of free world exports.

Assuming that Britain and some smaller European nations join the Common Market, a sizable group of commodities will be eligible for this list. These are mostly products like aircraft, office machinery, and newer drugs and chemicals requiring complex and specialized manu-

facturing techniques and a great deal of research, or mass production items, such as vehicles and basic chemicals. It is for products of this sort that the external tariff of the Common Market would be most threatening for our own exporters.

For other commodities, the President would, with certain exceptions, be authorized to reduce tariffs by as much as 50 per cent. The key facts here are that the permitted reductions would be substantially larger than permitted by existing law, and they could be applied to broad groups of commodities, rather than item by item. This is the way the Common Market countries have approached the problem among themselves - and it has become quite clear that we must do the same if we are to have a real breakthrough in this area at all.

The potential gains for this country from mutual reductions in trade barriers are readily apparent. Our current annual surplus on merchandise trade - excluding Government financed exports - is roughly $3 billion. For the Common Market alone, our exports in 1961 were $3.5 billion, roughly 60 per cent larger than our imports from the same countries. Thus we have a favorable base for enlarging our surplus as we negotiate equivalent reductions in tariffs - and I assure you that we mean to bargain hard to obtain concessions from others at least as great as those we grant ourselves. Moreover, our export potential is enhanced by the fact that European labor resources and productive capacity have been strained to achieve their remarkable growth of recent years. Pressures to consume more of their current output in domestic markets are developing. And European demands are particularly strong for the type of machinery, equipment, and consumer goods for which this country has ample capacity and unparalleled "know how."

We recognize that lower tariffs for broad groups of goods will expose more of our own industry to foreign competition, and in a few instances, some line or another could be sharply affected. For that reason, certain safeguards, including Tariff Commission studies and public hearings, would be retained in the law to assure full analysis of the impact of any proposed reductions on American industry. However, the narrow and specific "peril point" concept now embedded in current practice would be modified - as it must be if successful negotiations on a broad basis are not to be stymied.

Instead, a promising new approach toward easing the transition for affected workers and firms has been developed - an approach that would be fully consistent with our over-all objectives. This approach would provide temporary adjustment aid - liberal loss carry backs for tax purposes, loans or loan guarantees, technical assistance and worker retraining. We must do all we can to ease the transition to new jobs, new products, and new services - but to resist change is to resist progress. The fundamental fact is that if our economy is growing as it should and must, if major recessions are avoided, and if we take advantage of our larger export opportunities, we will absorb any workers and capital displaced by foreign competition with relative ease. The adjustments will take place almost unnoticed, as a small part of the process of change characteristic of a dynamic economy . . . .

The Trade Expansion Act will be indispensable in opening foreign markets to us. It will thus reinforce all our other efforts to achieve more jobs at home, and to make the United States attractive for investment. Like the balance of payments itself, it will also impose disciplines - to keep our costs in line and to operate at peak efficiency. But these are the sort of disciplines we want and need, not only to balance our payments but to achieve our domestic objectives.

This, together with a rising level of productivity, will increase our competitive potential, and give to us and to our allies the economic might which will be the major weapon in the continuing struggle to preserve freedom.

That economic might will depend upon the efforts of all of us, in government, in industry, in education and in the ranks of labor. If we give freely of our energies, and do not waste them in recrimination or unnecessary dispute, we can be sure that freedom will emerge unscathed from this century -- and that, after all, is the goal we all share.

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of wise industrial and educational leadership by men like Colgate Darden, Henry McWane, and Homer L. Ferguson with the backing of many trade organizations and professional groups, including the other sponsor of this meeting, the Virginia Manufacturers Association.

One of the most important assets for achieving sound and effective economic growth, which the United States possesses to a degree unexcelled in any part of the world, is the art of business management. The capacity of an economy to discover and develop investment opportunities depends to a considerable degree upon the art of management. Among the important changes in the American economy that have accelerated that art are the development of a group of professional managers, the growth of organizations devoted to

in his words, to "the importance of industrial growth to an expanding economy" in Virginia, as well as the Nation.

The progress of the Virginia State Ports Authority and its general cargo facilities expansion improvement program at Hampton Roads takes into account not only the needs of the State but the vast potential for foreign trade and commerce which is opening up for the Free World, in which Virginia and its ports and related transportation facilities can play an important role.

Finally, at the risk of unduly flattering my host, I must comment on the significance of the Graduate School of Business Administration at the University of Virginia. Its existence is a tribute to the combination

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authorities and institutions, as well as the average citizen, have important parts to play.

It would be unbecoming for a Federal official to proffer advice to state and local leadership. However, I hope I may be permitted to applaud some recent developments.

The new emphasis given by Governor Harrison and the General Assembly to the role of the state in encouraging industrial growth and development, and symbolized by the creation of a new division devoted to this function in the Governor's office, is responsive,

when unemployment is rising, at a rate to be stipulated by Congress; and

3. A permanent expension of unemployment benefit periods, giving wider coverage and providing increased benefit amounts.

Enactment of these three measures will enable Federal fiscal policy to respond firmly, flexibly, and swiftly to oncoming recessions and thereby diminish the violent swings in corporate profits, personal income, and unemployment which have been a large contributing factor both to our slow rate of economic growth and to our big Federal deficits.

Finally, it should be made clear that the problem of corporate profits and national goals is not one for the exclusive concern of the Federal Government, industry and labor. State and local

industry and more demand for a wide variety of products and services. This is the sector of the economy which has been lagging behind for the last four years.

There is a strong association between profits, full employment, vigorous and longer upswings in the economic cycle, and a healthy increase in the levels of capital goods expenditures. That is why, in addition to its other merits, the investment credit should be adopted.

But with three recessions in the past seven years, we cannot assume that there is some magic in the current expansion movement that assures its permanence. There will always be economic fluctuations and changes in the rhythm and pace of advance. Already in the Federal fiscal system are several automatic or built-in stabilizers against recession and inflation.

against this background that Secretary Dillon urged the adoption of the investment credit before the Senate Finance Committee. He stated that:

> "Throughout our economy, there will be thousands of investment decisions involving billions of dollars during the remainder of this year and in succeeding years which may hinge on the outcome of this legislation. There is often a thin line between a yes and a no decision in the investment area."

There can be no doubt that increasing investment levels in machinery and equipment will help make our present economic recovery more vigorous and longer lasting. Completion of plans and authorization of additional private expenditures on machinery and equipment will create more jobs in the capital goods

expenditures. But by late 1962, our continued advance may depend in a very important way on an increase in investment outlays in plant and equipment as a key expansionary force. Industrial operating rates have increased from last winter's recession low of about 78 percent capacity to about 86 percent today. This means we have moved half way to the 94 percent rate preferred by manufacturers -- and it also means we still have half the distance to go in order to achieve full utilization of our productive facilities. The sizeable reduction in excess industrial capacity in the past year should make expansion of productive facilities more attractive.

Business firms have more incentive to add to or modernize plant and equipment when their existing capacity is put to good and profitable use. It was

before taxes, dropped from $38.3 billion in 1953 to $34.1 billion in 1954. We also remember the recession of 1958, when the drop was from $43.2 billion in 1957 to $37.4 billion in 1958. And al everyone here will recall the drop from a quarterly rate of $43.2 billion in the Third Quarter of 1960 to a rate of $39.6 billion in the First Quarter of 1961.

This Administration is dedicated to the desirability of prompt and effective action by government, business, and labor to sustain the current recovery and avoid any early return to a pattern of economic decline and recession.

In the last twelve months we have witnessed a substantial increase in personal income, in consumer expenditures, in inventory levels, and in public

attributed to the production of farm products that were exported both in unprocessed and processed form. This number represents 7.4 percent of the 203,000 total workers on Virginia's farms.

In the mineral field, exports of bituminous coal from Virginia were estimated at about $24.7 million in 1960 -- over 20 percent of the total production of almost 28 million tons.

The President's trade program, then, is as important to Virginia as it is to other states and holds substantial potential for increased profits for Virginia's manufacturers, farmers, and miners as well as to those connected with foreign trade and commerce.

Fifth, sustaining recovery, avoiding recessions, and their relation to profits.

The memories of those present undoubtedly go back to the recession period in '54 when corporate profits,

$213.3 million of this total. These establishments employed 74,485 workers and their exports represented nearly 9.6 percent of their total value of shipments. Virginia ranked 15th in the Nation in value of manufactured exports -- second in tobacco exports, fifth in paper products, eighth in textiles, lumber and wood, ninth in furniture, and tenth in chemicals.

Virginia's share of the U. S. total of exports of $4.9 billion of agricultural products was $63.4 million in the 1960-61 crop year. Virginia's equivalent share in the 1960-61 National agricultural export total was $15 million for field crops; $8.8 million for livestock and livestock products; $3.7 million for fruits and nuts; and $1 million for vegetables. Virginia's farmers have a direct stake in exports. About 15,000 farm workers may be

as ours has, the implications for American export opportunities could be extremely promising. Almost 90 percent of the Free World's industrial production is concentrated among the U. S. and the countries in, or likely to be associated with, the Common Market.

The profit prospects and potential in this combined market present both a challenge and a tremendous opportunity which far outweigh the risk. We must accept the challenge, which is simply to compete on equal terms.

Perhaps the implications of this challenge and opportunity may become more vivid in the light of a few facts about Virginia's current export position. Exports of manufactured goods from Virginia amounted to $338.3 million in 1960. A total of 89 establishments exporting $25,000 or more reported

it down we must. As internal trade barriers go down in Europe, the effect is to strengthen the external wall around the market which may soon be enlarged to include Great Britain and a number of other nations. Member countries are pledged to eliminate internal barriers, permitting their producers to sell duty free anywhere within the market by 1970. Unless we negotiate access to the market, American producers would have to compete over a tariff wall -- a wall that for some products, in some countries, would be higher than it is today.

The potential that Western Europe's burgeoning market has for our goods cannot be overemphasized. Already our exports to the Common Market exceed our imports by more than 50 percent, and Western Europe is expanding rapidly. If European consumption expands

tariff wall abroad keeps our goods out of foreign markets.

That is why President Kennedy is seeking new trade authority from the Congress so that he can negotiate and bargain down the tariff wall around the Common Market. And bargain

step toward eliminating the balance of payments deficits.

The Administration is taking steps to help American business increase its sales abroad. These steps include special efforts to step up the flow of information on export opportunities and to make our producers more export conscious, and a new and comprehensive export insurance program developed by the Export-Import Bank in cooperation with 57 casualty insurance companies to make export credit arrangements for U.S. business equal in its effectiveness to that provided by other countries. However, all our efforts to put our producers in a position to compete more effectively with foreign producers will be meaningless if a high

tax incentives to encourage corporate or private contributions to finance basic research by such institutions as colleges or universities, or larger undertakings in the private sector by industrial concerns themselves, are being studied as compared with other approaches to the problem.

In this area of civilian research, the role of the national government should not obscure the fine state and local efforts which have paid remarkable dividends in areas as disparate as Massachusetts and Oregon.

Fourth, export promotion and profits.

Increasing our exports to meet the demand in new and growing markets abroad will stimulate production in our domestic economy, help create the millions of new jobs that are needed in the years ahead, and provide a new source of profits for American industry. In addition, an expanding export trade is an essential

programs of science and technology of the various agencies of the Federal Government so as to give appropriate emphasis to measures for furthering science and technology in the Nation. An Administration bill to create an Assistant Secretary of Commerce for Science and Technology has been passed by the Congress and signed by the President. Its purpose is to provide better channels for disseminating and utilizing scientific information from all sources -- government, private and foreign. The efforts will not displace, but supplement, the fine work done by the National Science Foundation.

Because of the importance of expanding basic research, the Treasury Department has included it in the many areas it is examining prior to submission to the President of a major tax reform later this year. The possibilities of new

(d) the limited percentages of resources applied to research and development in many industries and companies.

This Administration has undertaken programs in education designed to deal with the long-term problem of training more scientists and engineers. The other three limiting factors are the subject of intensive study, at Presidential direction, by the Panel on Civilian Technology. A week ago the President sent to Congress a reorganization plan, which, in the absence of Congressional objection, will result in the creation of the Office of Science and Technology within the Executive Office of the President. The duties of the new office will include advising and assisting the President with respect to major policies, plans and

of the 30's. Corporate enterprises need not wait for demand to grow. As Dr. Sumner Slichter put it: "They have increasing power and ability to create huge demand by creating obsolescence." The end result of increasing research and development is an increasing inventory of investment opportunities.

The factors that limit our national effort and profit potentials in research and development include:

(a) the small supply of scientists and engineers in certain fields,

(b) the relatively small share of effort devoted to research in the civilian sector,

(c) the relatively small effort devoted to basic scientific exploration as compared with applied research, and

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industrialized world is in a phase of industrial development characterized by revolutionary changes in the art of management and a sensational growth of technological research. Yet, there is still a considerable concentration of research in a few industries -- partly the result of defense demands of government. There is obviously much room for expansion of technological research, especially in the areas where little research is done.

Research has become a major tool for economic growth, a major method of competition, and a major avenue to profits. The last several decades have given rise to a virtual industry of discovery. The resulting enormous growth of research is making obsolete many of the old theories, such as the "Stagnation Thesis"

a rising standard of living. Growth in productivity makes it possible for real wages and real profits to rise side by side."

It might also be added that rising productivity is essential to this country's leadership of the Free World. It enables us to earn in world competition the means to meet our commitments overseas, and increased productivity depends, in part, on the incentive to earn profits, which, in turn, depends upon sensible price and wage behavior.

Third, research and development promotion and profits.

The importance of research and development to future corporate profits needs no elaboration to this audience. Our Nation and a good part of the

industry "within the limits of productivity" has encouraged all Americans, as did the pricing policy of the leaders of that industry last fall.

Mandatory controls in peacetime over the outcome of wage negotiations and over individual price decisions are neither desirable nor in the American tradition. Final wage and price decisions should continue to lie in the private sector, but this discretion should recognize the national interest in the results. It is no accident that productivity is the central guidepost for wage settlements in line with the national interest.

As the Council of Economic Advisers stated:

"Ultimately, it is rising output per man hour which must yield the ingredients of

economy and provided guidelines for relating changes in wages and prices to productivity. In addition, the report, following many statements by the President and other officials of his Administration, gave full emphasis to the damaging effect of inflation on the distribution of income and our efforts to achieve an equilibrium in our international balance of payments. Subsequently, the President stated that:

> "Labor-management contracts should be settled within the realm of productivity increases so that there would be a beneficial effect on price stability."

The statesmanlike performance of representatives of management and labor in concluding successfully a noninflationary collective agreement for the steel

We need to eliminate inequities, close unwarranted loopholes, and provide a broader and more uniform tax base. If this process, as incorporated in the pending bill and carried forward in the second major tax revision, is successful, it should provide revenue margins that would permit a readjustment of personal and corporate income tax rates which, in turn, would provide profits and growth.

Second, price and wage policy and profits.

As a complement to its tax policy, this Administration has placed new and persistent emphasis on the importance of price and wage policy in the private sector.

The Report of the Council of Economic Advisers in January spelled out clearly the broad national interest in price and wage behavior in a free and growing

in machinery and equipment for both modernization and growth is in the national interest and necessary to meet the problems of our times. To those who prefer that the device chosen be the more costly one to the Government of providing accelerated depreciation beyond realistic lives for all existing equipment as well as new equipment, the reply is that we cannot afford that more expensive device at this time.

The pending tax bill, as well as the administrative modification of depreciation allowances, represents only a first step in a comprehensive program of tax revision which this Administration is undertaking. The fundamental goal of more rapid economic growth underlies every aspect of that program. Growth will be a primary objective of our over-all tax reform bill, which will be presented to the Congress later this year.

credit show, however, that all of these alternatives, without exception, share the same characteristic of giving the investor in equipment a monetary reward beyond what he would receive on the basis of realistic accounting. They involve an "interest free" loan from Uncle Sam on taxes that would be due except for unrealistic or artificial accounting. The element of subsidy or incentive is equally present in all of them.

And perhaps the principal difference between the "subsidy" proposed by the Administration and the alternatives is that one is open and the others are hidden.

We plead guilty to the charge that we believe in tax incentives for increasing investment. We do so because of a conviction that increasing investment

plans which have been presented to the Treasury or suggested in the course of Congressional hearings would provide much less incentive to modernization, expansion, or new ventures per dollar of revenue cost to the Treasury than does the investment credit. We favor the credit simply because it is the fastest, cheapest, and most effective method yet uncovered to give the results quickly that the national interest requires

Many of those who favor alternatives criticize the investment credit, labelling it a gimmick, asserting that it bears the taint of a subsidy. Many business spokesmen who hold this view favor the acceleration of depreciation beyond what is justified on the basis of realistic accounting. Careful study and consideration of a wide variety of alternatives to the investment

and, indeed, since 1957.

A great deal of objection to the investment tax credit proposal surprisingly comes from those associated with the business community who have for many years contended that something should be done to modify tax policy to provide more incentives for growth, profits and investment. It is significant that all 59 witnesses, except the spokesman for organized labor, who testified on the investment credit in the House of Representatives favored some form of tax incentive for business investment.

The argument among those who wish to provide investment incentives ultimately boils down to whose formula will be adopted. Of course, the enactment of the President's proposal is not the only means of achieving this result. But all of the alternative

The proposal for an investment tax credit and proposals for lower personal tax rates are not mutually inconsistent and the Administration hopes to pursue them both.

It accords first priority to a direct stimulus to business fixed investment because our balance of payments problem, with its national security and foreign policy overtones, requires prompt action to give American producers the maximum competitive advantage that can be derived from our technological advances.

Further, it believes that those concerned with the levels of aggregate demand and the fuller utilization of existing facilities should recognize that the capital goods segment of the economy is the most retarded sector of demand in the current recovery

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Without inviting controversy here, when there is plenty in Washington, I should add a few words about the opposition to the investment tax credit proposal.

There are those who do not agree with the President that first priority should be given to direct fiscal stimulus to fixed investment. Some, principally the spokesmen for organized labor, do not agree that business needs any tax incentives to invest in machinery and equipment for new products or for the modernization or expansion of existing processes in standard products. They would prefer either little or no changes in the Federal tax structure or measures which would directly promote consumption -- such as lower personal taxes.

would be able to write off only 20 percent of the cost of its assets in the first year; still a third less than our foreign competitors.

The proposed investment credit would drastically change these figures. For with the 8 percent investment credit which we are seeking in the Senate -- we could keep the average depreciable life of our equipment right where it is now, at 15 years, and our industry's total first-year cost recovery would amount to 29.3 percent. That would be fractionally better than the average of our major competitors. We do not, of course, expect average depreciable lives to remain at 15 years. To whatever extent they are reduced from that level, our future first-year write-off will become relatively more advantageous.

enactment of the proposed investment credit as well as the execution of the program for administrative revision of the depreciable lives of equipment.

For example, Canada, Japan, and each of the seven major industrial nations of Western Europe, provide first-year depreciation write-offs for machinery and equipment -- including, in most cases, special incentive allowances -- that are much more generous than ours. The average first-year allowances among all nine of these countries is 29 percent. Compared with this, our own industry now averages a first-year write-off of only 13.2 percent -- less than one-half that of our competitors. Under present depreciation practices, our industrial equipment has an average useful life of about 15 years. Even if we were to reduce this to 10 years, our industry generally

growth, is the need to enable our American industry to meet the highest standards of efficiency that our expanding technology permits. This will enable it to compete more effectively at home and abroad with foreign competitors who often have the advantage of cheaper labor. This additional reason for tax and profit incentives is basic to achieving that larger commercial trade surplus in more open trading arrangements with our allies and friends in the Free World which is necessary if we are to continue to meet our overseas commitments.

Our tax laws, as they presently stand, do not provide as great an incentive and opportunity to modernize as do the laws of our major competitor countries. To place American industry on a comparable footing with industry elsewhere will require

risk associated with any investment. The shorter the time period the bulk of invested capital is subject to the risk of technological obsolescence, or new and sharper competition, the more the willingness to take the risk. "Getting one's bait back" is a meaningful phrase in investment decision-making.

This reduction in period of risk -- coupled with the higher rate of profitability and increased cash flow -- should shift the margin at which many positive decisions to invest are made, and help to restore to past levels the proportion of our annual output that is devoted, through investment in machinery and equipment, to building the strength, vitality, and competitive force of the American economy.

Wholly apart, and in addition to the impact of this two-pronged tax policy on the rate of economic

of new production lines to produce new or modified products.

Investment decisions are influenced as well by the availability of funds. Since the investment credit will increase the flow of cash available for investment, it will stimulate investment through this effect as well as through profitability. The increased cash flow will be particularly important for new and smaller firms, which do not have ready access to capital markets and whose growth is often restrained by a lack of capital funds.

Still another way in which the credit may be expected to stimulate investment is through a reduction in the payoff period for investment in a particular group of productive assets, which is one measure of

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This proposal, if enacted, would stimulate investment in a number of ways. Because it reduces the net cost of acquiring depreciable assets, it increases the rate of profitability. Thus, for example, a 10-year asset that is expected to yield a rate of return, after taxes, of 5 percent under a straight line, or 5.6 percent under a double declining balance of depreciation, will, with a 7 percent investment credit, yield a return of 7.6 percent, increasing profitability by more than 35 percent.

An increase of this magnitude will provide a major stimulus to business firms to replace older, less efficient machinery and equipment and, in the process, incorporate the most recent technological developments into productive facilities. It will also invite many additional investment decisions looking to the creation

But administrative revision of depreciation, important though it is, is not enough to provide the incentives for investment through the increase in profitability or the reduction of the period of risk. Enactment of an investment credit, which was proposed by President Kennedy in his first Tax Message nearly a year ago, is a desirable means of achieving this result and maximizes the incentive given for the dollar of revenue foregone.

This proposal, in the form approved by the House of Representatives, would provide a tax credit for investment in depreciable machinery and equipment amounting to a deduction from corporate taxes, otherwise due, of 7 percent of the cost of new machinery and equipment.

No final decisions have yet been reached on new depreciable lives for any industry other than textiles. Nonetheless, the general shape of revision is becoming clear. We shall move to shorter and more realistic depreciable lives, and, in addition, put into effect a truly significant simplification of Bulletin "F."

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out of date. In setting new guidelines the Treasury Department and the Internal Revenue Service are giving careful attention to the pace of technological change in obsolescence as a standard for judging the useful lives of productive equipment. And in attempting to determine actual and potential rates of obsolescence, we will not be bound by the obsolete notion that equipment is still acceptable as long as it remains in good working condition. That is the narrow concept of "physical" life. To the greatest extent possible, we will consider the "economic" life of machinery and equipment.

Establishing new depreciation schedules by that standard of obsolescence is no simple task -- especially when we are endeavoring to take into account, not only recent technological change, but that which is foreseeable in the near future.

this tax policy objective. A two-pronged program was launched which included both a legislative proposal for a tax credit for new investment in depreciable property -- apart from buildings -- and the administrative revision of existing depreciation practices.

Depreciation revision began last October with the announcement of new guidelines for determining the life of machinery and equipment in the textile industry. Depreciation studies of a number of other industries are now nearing completion. New guidelines for determining the lives of all depreciable equipment will be announced in late Spring.

This audience is well aware that Bulletin F, with its suggested useful "lives" for some 5,000 items of depreciable property, is a morass of detail and badly

States must, among other things, raise the national level of productive investment.

In so concluding, this Administration was in accord with the Report of President Eisenhower's Commission on National Goals which stated that "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 give attention to policies favoring completely new ventures which involve a high degree of risk and growth potential." This judgment was in line with that of most experts on tax policy.

Having decided to foster an increasing flow of funds to capital formation and investment in productive equipment, the Administration gave first priority to

the hard facts of economic life previously outlined. These policy proposals are in the fields of taxation, price and wage determination, research and development promotion, trade, and anti-recession measures.

First, as to tax policy.

The new Administration anticipated by some months the conclusion in the landmark study by Dr. Kuznets under the aegis of the National Bureau of Economic Research entitled "Capital in the American Economy" -- namely, that "the proportion of net capital formation in net national products declined, for volumes in constant prices, from somewhat less than 15 percent in the early decades to 7 percent in the most recent." Early in the Administration, we concluded that to sustain recovery, to grow more rapidly, to increase our competitive vigor and productivity, the United

Even the profit picture looked better. Although final figures are not yet available, it is expected that corporate profits in the Fourth Quarter of 1961 were at an annual rate of around $52 billion -- topping the record high in the Second Quarter of 1959, but still less than 10 percent of gross national product.

Progress is encouraging, but we still have a long way to go on the road to full employment and sustained recovery without inflation, accelerated economic growth, and equilibrium in our balance of payments.

Now for the question: where do we go from here? I submit for your consideration a few current national policy proposals that relate profits to our economic objectives and respond to the present situation and

$542.2 billion in the Fourth Quarter, a gain of 8.2 percent. Unemployment, while receding from approximately 7 percent to 5.6 percent in the country as a whole, still was much too high to tolerate and included some unacceptable concentrations in certain areas. Price levels have remained steady. The Nation exported considerably more goods and services than it imported, as was customary, to provide a commercial surplus of $5 billion. This surplus was not great enough however to offset the dollar outflow from our defense, aid and investment expenditures. When all of the factors involved in our balance of payments were added up, the result was a deficit of almost $2.5 billion. This was one-third less than 1960, but still much too high.

last decade -- as marked in the last few years as in the early years of replacement of war damage.

It was against this background of hard and compelling fact that a new administration took office in January 1961. Within a year, some changes had been effected.

The year 1961, which began in the valley of recession, ended on the high road of recovery and growth. The economy was moving forward to new records in consumer spending, personal income, industrial production, and many other indices except -- significantly -- plant and equipment expenditures which were somewhat out of phase with the pattern of previous recoveries.

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The GNP, which for the First Quarter of 1961 was at a rate of $500.8 billion, increased to a rate of

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a substantially receding rate in recent years in relation to other factors.

(c) the rate of increase in the production of business equipment has fallen far behind the rate of increase in industrial production.

(d) there has been a startling rise in the proportion of our machinery and equipment that is over ten years old.

(e) since 1954 there has been a sharp decline in the rate of increase of productivity per worker and per hour from that of the postwar period.

Yet, a sharply contrasting pattern and trend has prevailed in Western Europe and Japan during the

those countries.

(5) In addition, a sharp rise in certain key prices in the United States relative to those of major competitors has weakened the competitiveness of some U. S. products in world markets.

Added to these factors are the following facts concerning our national plant and equipment, upon which our economic growth as well as our productivity, efficiency, and competitiveness largely depend:

(a) a diminishing percentage of our gross national product has been devoted to business fixed investment and, particularly important, producers' durable equipment.

(b) increases in our stock of plant and equipment have proceeded at

(3) The large overseas military expenditures and extensive foreign aid programs of the United States have come to be clearly recognized as long-term requirements for an effective national security and foreign policy.

(4) The decline of the U. S. trade surplus, from $6 billion in 1957 to a postwar low of $1 billion in 1959, despite improvements in the last two years, has focused attention on the long-run improvement in the competitive position of Western European countries and Japan relative to the United States -- an improvement caused mainly by remarkable advances in output and productivity in

as well as the role of the dollar as the key reserve currency for the Free World trade and payment system -- has to be weighed in the light of the following additional factors:

(1) In the three years 1958-60, the over-all deficit in the U. S. balance of payments averaged $3.7 billion annually, with more than $5 billion of the total representing a loss of United States gold.

(2) The establishment of the European Economic Community will provide a large, rapidly growing, tariff-free market to those associated with it -- holding out much the same investment opportunities as the tariff-free internal market of the United States -- with no assurance concerning external barriers to those outside it.

of the Sino-Soviet Bloc, its allocation of increasing resources to military strength and heavy industry development, and the implications of the growth of the Sino-Soviet economic power to affect the course of development of the uncommitted or less developed nations reinforced this partnership.

It is important to remember that the combined output of purchasing power of the U. S. 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 one-half as much territory, our combined economic strength represents a powerful force for the preservation and growth of freedom.

The importance of extending our trading relationships with free, competitive, industrialized societies --

During two months out of every three during this period, four percent or more of those able, willing, and seeking to work have been unable to find jobs. The peak of each of the last three recoveries has been marked by a higher rate of unemployment than the previous one. Population experts forecast that there will be a net addition to the labor force in the Sixties in excess of 13 million, a rate far greater than that of the Fifties.

During the Fifties, both the forces of history and the long-range requirements of national security were moving us inexorably towards a closer political, military, economic, and trading partnership with the industrialized areas of the Free World, particularly Western Europe, Canada and Japan. The economic growth

During the Fifties, while the U. S. -- in gross national product -- was growing at about 3 percent per annum, Free Europe as a whole was growing at nearly 5 percent, the Soviet Union at nearly 7 percent, and West Germany and Japan at between 7 and 9 percent.

The ups and downs which produced violent swings both in corporate profits and unemployment were a large contributing factor to our slow rate of growth. In the past fifteen years, four recessions have arrested growth in the U. S. economy while the economies of other major industrial countries in the West have moved ahead with only an occasional pause. Approximately 14 quarterly periods, or 23 percent of the total, have been periods of recession. We have devoted seven of those fifteen years to regaining previous peaks of industrial production.

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Of course, our cash flow picture during the past decade has not been as bleak as corporate profit figures indicate. Depreciation allowances, which show up as a cost item, have increased reasonably as the result of the amortization of more costly postwar equipment and the faster write-off permitted by the 1954 changes in the Federal income tax laws.

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in 1950 and $45 billion in 1960, representing an increase of only 11 percent, while corporate sales increased more than 70 percent. Equally significant, corporate profits, after taxes, were about the same in 1960 as in 1950.

We share your concern that the upturns and downturns of the business cycle produced violent swings in corporate profits. But, in addition to those swings, there has been a deteriorating relationship between corporate profits and gross national product. From 1947 through 1957 corporate profits, before taxes, remained steadily above 10 percent of GNP, falling below only during the 1954 recession. Since the third quarter of 1957, however, before-tax corporate profits have been above 10 percent of GNP in only one quarter. Instead

bargaining and industry pricing policy.

This brief review of our national economic goals and the pattern of activity required for their solution should make clear the vital role of industrial management for profits in meeting the challenges that confront our Nation in the Sixties.

Therefore, we are concerned by the fact that during the past decade corporate profits -- before and after taxes -- have failed to keep pace with the rate of expanding production and sales. Corporate profits, before taxes, were $40.6 billion

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Increasing the competitiveness of U. S. products in markets at home and abroad also depends to a large extent on our ability to avoid inflation. For while quality, variety, service, credit facilities, and promptness in delivery are all important, price remains at the heart of the matter. Hence, increasing competitiveness through increased productivity will not achieve the desired results unless the fruits of increased productivity are divided equitably between wages, prices and profits. Gains in productivity should be reflected in stable or lower prices and increased profits as well as increased wages. In short, our balance of payments problem calls for a new national discipline that extends from Federal budgets to collective

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Increasing the productivity and competitiveness of U. S. industry through greater investment in more productive equipment has become an essential element in arresting our balance of payments deficits. This is particularly true in an era of expanding trade competition at home and abroad with foreign producers who pay lower wages. But increased investment in more efficient equipment will not be forthcoming without

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There can be no sound solution to our balance of payments problem, consistent with the continuing discharge by the United States of a decisive role in the defense and development of the Free World, unless management for profits is carried out with full awareness of these relationships. American industry and labor must share effectively the responsibility for producing goods and services at price and unit cost levels that will maintain and expand our vital export life line, while playing a dominant role in supplying our home markets in open competition. Only

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But risk capital will not be forthcoming in adequate amounts -- through the equity markets and financial institutions or from industry's own self-generated funds -- unless the prospect for profits is good. With an adequate supply of funds added to traditional American initiative and enterprise, new facilities can be procured, new capacity created, and existing capacity increased or made more productive.

young people who will enter the labor force in the 60's -- to meet increased national responsibilities for peace and security -- and to provide an ever higher standard of living shared by all. The profitability of American industry is fundamental to the attainment of an increasing rate of technological development and economic growth -- upon which fulfillment of all these goals depend. Economic growth will not be realized without an accompanying increase in capital formation. For it is the risking of a greater proportion of our capital in new investment opportunities which will translate ideas and discoveries from the laboratory through the production line into the marketing system at a faster rate that will give us faster

enterprise economy. We cannot -- without enormous and unbearable deficits -- maintain our national security, finance the public debt, and meet the needs of our people for public services unless American industry functions effectively and profitably.

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prosperity without inflation, accelerated economic growth, and equilibrium in our international balance of payments -- can be reached only if we have a growing and confident industry at the heart of a healthy, expanding free enterprise economy.

The Treasury is especially concerned with developing cooperation and teamwork between government and industry, for, without such cooperation, sound financial management of the Nation's affairs is difficult.

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CHARLOTTESVILLE, VIRGINIA, FRIDAY,
APRIL 6, 1962, 6:30 P.M.

"CORPORATE PROFITS AND NATIONAL GOALS"

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The modern and scientifically operated private corporation is a key institution in a free, democratic society. The subject of your Conference -- "Management For Profits" -- has an important relationship to the national interest. Accordingly, I shall discuss corporate profits and national goals.

At this juncture in our national life it is important to recognize that the institutions represented here this evening share a common responsibility.

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TREASURY DEPARTMENT
Washington

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The Treasury has a special interest in corporate profits. Not only do taxes on corporate profits provide more than one-quarter of all government revenues but -- more importantly -- they are literally essential to the healthy operation of our free enterprise economy. We cannot -- without enormous and unbearable deficits -- maintain our national security, finance the public debt, and meet the needs of our people for public services unless American industry functions effectively and profitably.

The Treasury has a major responsibility for accelerating economic growth to provide employment for the 26 million young people who will enter the labor force in the 60's -- to meet increased national responsibilities for peace and security -- and to provide an ever higher standard of living shared by all. The profitability of American industry is fundamental to the attainment of an increasing rate of technological development and economic growth -- upon which fulfillment of all these goals depend. Economic growth will not be realized without an accompanying increase in capital formation. For it is the risking of a greater proportion of our capital in new investment opportunities which will translate ideas and discoveries from the laboratory through the production line into the marketing system at a faster rate that will give us faster economic growth.

But risk capital will not be forthcoming in adequate amounts -- through the equity markets and financial institutions or from industry's own self-generated funds -- unless the prospect for profits is good. With an adequate supply of funds added to traditional American initiative and enterprise, new facilities can be procured, new capacity created, and existing capacity increased or made more productive.

Maintenance of adequate profit margins -- and of proper relationships between productivity, wages, prices and profits -- is also fundamental to the achievement of equilibrium in our balance of payments.

There can be no sound solution to our balance of payments problem, consistent with the continuing discharge by the United States of a decisive role in the defense and development of the Free World, unless management for profits is carried out with full awareness of these relationships. American industry and labor must share effectively the responsibility for producing goods and services at price and unit cost levels that will maintain and expand our vital export life line, while playing a dominant role in supplying our home markets in open competition. Only by so doing can larger commercial trade surpluses be created. These are necessary to wipe out the annual deficits in our balance of payments which have marked every year in the last eleven except one, resulting finally in 1960 in an over-all accumulation of short-term dollar liabilities to other countries in excess of our gold reserves.

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Therefore, we are concerned by the fact that during the past decade corporate profits -- before and after taxes -- have failed to keep pace with the rate of expanding production and sales. Corporate profits, before taxes, were $40.6 billion in 1950 and $45 billion in 1960, representing an increase of only 11 percent, while corporate sales increased more than 70 percent. Equally significant, corporate profits, after taxes, were about the same in 1960 as in 1950.

We share your concern that the upturns and downturns of the business cycle produced violent swings in corporate profits. But, in addition to those swings, there has been a deteriorating relationship between corporate profits and gross national product. From 1947 through 1957 corporate profits, before taxes, remained steadily above 10 percent of GNP, falling below only during the 1954 recession. Since the third quarter of 1957, however, before-tax corporate profits have been above 10 percent of GNP in only one quarter. Instead of ranging from 10 to 12 percent or more of GNP, corporate profits in recent years have been between 8 and 9-1/2 percent.

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It is important to view the need for adequate profits and incentives for investment against a background of some compelling underlying facts. Let me mention just a few which were of key concern to this Administration when it took over responsibility in January 1961.

During the Fifties, while the U. S. -- in gross national product -- was growing at about 3 percent per annum, Free Europe as a whole was growing at nearly 5 percent, the Soviet Union at nearly 7 percent, and West Germany and Japan at between 7 and 9 percent.

The ups and downs which produced violent swings both in corporate profits and unemployment were a large contributing factor to our slow rate of growth. In the past fifteen years, four recessions have arrested growth in the U. S. economy while the economies of other major industrial countries in the West have moved ahead with only an occasional pause. Approximately 14 quarterly periods, or 23 percent of the total, have been periods of recession. We have devoted seven of those fifteen years to regaining previous peaks of industrial production.

During two months out of every three during this period, four percent or more of those able, willing, and seeking to work have been unable to find jobs. The peak of each of the last three recoveries has been marked by a higher rate of unemployment than the previous one. Population experts forecast that there will be a net addition to the labor force in the Sixties in excess of 13 million, a rate far greater than that of the Fifties.

During the Fifties, both the forces of history and the long-range requirements of national security were moving us inexorably towards a closer political, military, economic, and trading partnership with the industrialized areas of the Free World, particularly Western Europe, Canada and Japan. The economic growth of the Sino-Soviet Bloc, its allocation of increasing resources to military strength and heavy industry development, and the implications of the growth of the Sino-Soviet economic power to affect the course of development of the uncommitted or less developed nations reinforced this partnership.

It is important to remember that the combined output of purchasing power of the U. S. 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 one-half as much territory, our combined economic strength represents a powerful force for the preservation and growth of freedom.

The importance of extending our trading relationships with free, competitive, industrialized societies -- as well as the role of the dollar as the key reserve currency for the Free World trade and payment system -- has to be weighed in the light of the following additional factors:

(1) In the three years 1958-60, the over-all deficit in the U. S. balance of payments averaged $3.7 billion annually, with more than $5 billion of the total representing a loss of United States gold.

(2) The establishment of the European Economic Community will provide a large, rapidly growing, tariff-free market to those associated with it -- holding out much the same investment opportunities as the tariff-free internal market of the United States -- with no assurance concerning external barriers to those outside it.

(3) The large overseas military expenditures and extensive foreign aid programs of the United States have come to be clearly recognized as long-term requirements for an effective national security and foreign policy.

(4) The decline of the U. S. trade surplus, from $6 billion in 1957 to a postwar low of $1 billion in 1959, despite improvements in the last two years, has focused attention on the long-run improvement in the competitive position of Western European countries and Japan relative to the United States -- an improvement caused mainly by remarkable advances in output and productivity in those countries.

(5) In addition, a sharp rise in certain key prices in the United States relative to those of major competitors has weakened the competitiveness of some U. S. products in world markets.

Added to these factors are the following facts concerning our national plant and equipment, upon which our economic growth as well as our productivity, efficiency, and competitiveness largely depend:

(a) a diminishing percentage of our gross national product has been devoted to business fixed investment and, particularly important, producers' durable equipment.

(b) increases in our stock of plant and equipment have proceeded at a substantially receding rate in recent years in relation to other factors.

(c) the rate of increase in the production of business equipment has fallen far behind the rate of increase in industrial production.

(d) there has been a startling rise in the proportion of our machinery and equipment that is over ten years old.

(e) since 1954 there has been a sharp decline in the rate of increase of productivity per worker and per hour from that of the postwar period.

Yet, a sharply contrasting pattern and trend has prevailed in Western Europe and Japan during the last decade -- as marked in the last few years as in the early years of replacement of war damage.

It was against this background of hard and compelling fact that a new administration took office in January 1961. Within a year, some changes had been effected.

The year 1961, which began in the valley of recession, ended on the high road of recovery and growth. The economy was moving forward to new records in consumer spending, personal income, industrial production, and many other indices except -- significantly -- plant and equipment expenditures which were somewhat out of phase with the pattern of previous recoveries.

The GNP, which for the First Quarter of 1961 was at a rate of $500.8 billion, increased to a rate of $542.2 billion in the Fourth Quarter, a gain of 8.2 percent. Unemployment, while receding from approximately 7 percent to 5.6 percent in the country as a whole, still was much too high to tolerate and included some unacceptable concentrations in certain areas. Price levels have remained steady. The Nation exported considerably more goods and services than it imported, as was customary, to provide a commercial surplus of $5 billion. This surplus was not great enough however to offset the dollar outflow from our defense, aid and investment expenditures. When all of the factors involved in our balance of payments were added up, the result was a deficit of almost $2.5 billion. This was one-third less than 1960, but still much too high.

Even the profit picture looked better. Although final figures are not yet available, it is expected that corporate profits in the Fourth Quarter of 1961 were at an annual rate of around $52 billion -- topping the record high in the Second Quarter of 1959, but still less than 10 percent of gross national product.

Progress is encouraging, but we still have a long way to go on the road to full employment and sustained recovery without inflation, accelerated economic growth, and equilibrium in our balance of payments.

Now for the question: where do we go from here? I submit for your consideration a few current national policy proposals that relate profits to our economic objectives and respond to the present situation and the hard facts of economic life previously outlined. These policy proposals are in the fields of taxation, price and wage determination, research and development promotion, trade, and anti-recession measures.

First, as to tax policy.

The new Administration anticipated by some months the conclusion in the landmark study by Dr. Kuznets under the aegis of the National Bureau of Economic Research entitled "Capital in the American Economy" -- namely, that "the proportion of net capital formation in net national products declined, for volumes in constant prices, from somewhat less than 15 percent in the early decades to 7 percent in the most recent." Early in the Administration, we concluded that to sustain recovery, to grow more rapidly, to increase our competitive vigor and productivity, the United States must, among other things, raise the national level of productive investment.

In so concluding, this Administration was in accord with the Report of President Eisenhower's Commission on National Goals which stated that "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 give attention to policies favoring completely new ventures which involve a high degree of risk and growth potential." This judgment was in line with that of most experts on tax policy.

Having decided to foster an increasing flow of funds to capital formation and investment in productive equipment, the Administration gave first priority to this tax policy objective. A two-pronged program was launched which included both a legislative proposal for a tax credit for new investment in depreciable property -- apart from buildings -- and the administrative revision of existing depreciation practices.

Depreciation revision began last October with the announcement of new guidelines for determining the life of machinery and equipment in the textile industry. Depreciation studies of a number of other industries are now nearing completion. New guidelines for determining the lives of all depreciable equipment will be announced in late Spring.

This audience is well aware that Bulletin F, with its suggested useful "lives" for some 5,000 items of depreciable property, is a morass of detail and badly out of date. In setting new guidelines the Treasury Department and the Internal Revenue Service are giving careful attention to the pace of technological change in obsolescence as a standard for judging the useful lives of productive equipment. And in attempting to determine actual and potential rates of obsolescence, we will not be bound by the obsolete notion that equipment is still acceptable as long as it remains in good working condition. That is the narrow concept of "physical" life. To the greatest extent possible, we will consider the "economic" life of machinery and equipment.

Establishing new depreciation schedules by that standard of obsolescence is no simple task -- especially when we are endeavoring to take into account, not only recent technological change, but that which is foreseeable in the near future.

No final decisions have yet been reached on new depreciable lives for any industry other than textiles. Nonetheless, the general shape of revision is becoming clear. We shall move to shorter and more realistic depreciable lives, and, in addition, put into effect a truly significant simplification of Bulletin "F."

But administrative revision of depreciation, important though it is, is not enough to provide the incentives for investment through the increase in profitability or the reduction of the period of risk. Enactment of an investment credit, which was proposed by President Kennedy in his first Tax Message nearly a year ago, is a desirable means of achieving this result and maximizes the incentive given for the dollar of revenue foregone.

This proposal, in the form approved by the House of Representatives, would provide a tax credit for investment in depreciable machinery and equipment amounting to a deduction from corporate taxes, otherwise due, of 7 percent of the cost of new machinery and equipment.

This proposal, if enacted, would stimulate investment in a number of ways. Because it reduces the net cost of acquiring depreciable assets, it increases the rate of profitability. Thus, for example, a 10-year asset that is expected to yield a rate of return, after taxes, of 5 percent under a straight line, or 5.6 percent under a double declining balance of depreciation, will, with a 7 percent investment credit, yield a return of 7.6 percent, increasing profitability by more than 35 percent.

An increase of this magnitude will provide a major stimulus to business firms to replace older, less efficient machinery and equipment and, in the process, incorporate the most recent technological developments into productive facilities. It will

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also invite many additional investment decisions looking to the creation of new production lines to produce new or modified products.

Investment decisions are influenced as well by the availability of funds. Since the investment credit will increase the flow of cash available for investment, it will stimulate investment through this effect as well as through profitability. The increased cash flow will be particularly important for new and smaller firms, which do not have ready access to capital markets and whose growth is often restrained by a lack of capital funds.

Still another way in which the credit may be expected to stimulate investment is through a reduction in the payoff period for investment in a particular group of productive assets, which is one measure of risk associated with any investment. The shorter the time period the bulk of invested capital is subject to the risk of technological obsolescence, or new and sharper competition, the more the willingness to take the risk. "Getting one's bait back" is a meaningful phrase in investment decision-making.

This reduction in period of risk -- coupled with the higher rate of profitability and increased cash flow -- should shift the margin at which many positive decisions to invest are made, and help to restore to past levels the proportion of our annual output that is devoted, through investment in machinery and equipment, to building the strength, vitality, and competitive force of the American economy.

Wholly apart, and in addition to the impact of this two-pronged tax policy on the rate of economic growth, is the need to enable our American industry to meet the highest standards of efficiency that our expanding technology permits. This will enable it to compete more effectively at home and abroad with foreign competitors who often have the advantage of cheaper labor. This additional reason for tax and profit incentives is basic to achieving that larger commercial trade surplus in more open trading arrangements with our allies and friends in the Free World which is necessary if we are to continue to meet our overseas commitments.

Our tax laws, as they presently stand, do not provide as great an incentive and opportunity to modernize as do the laws of our major competitor countries. To place American industry on a comparable footing with industry elsewhere will require enactment of the proposed investment credit as well as the execution of the program for administrative revision of the depreciable lives of equipment.

For example, Canada, Japan, and each of the seven major industrial nations of Western Europe, provide first-year depreciation write-offs for machinery and equipment -- including, in most cases, special incentive allowances -- that are much more

generous than ours. The average first-year allowances among all nine of these countries is 29 percent. Compared with this, our own industry now averages a first-year write-off of only 13.3 percent -- less than one-half that of our competitors. Under present depreciation practices, our industrial equipment has an average useful life of about 15 years. Even if we were to reduce this to 10 years, our industry generally would be able to write off only 20 percent of the cost of its assets in the first year; still a third less than our foreign competitors.

The proposed investment credit would drastically change these figures. For with the 8 percent investment credit which we are seeking in the Senate -- we could keep the average depreciable life of our equipment right where it is now, at 15 years, and our industry's total first-year cost recovery would amount to 29.3 percent. That would be fractionally better than the average of our major competitors. We do not, of course, expect average depreciable lives to remain at 15 years. To whatever extent they are reduced from that level, our future first-year write-off will become relatively more advantageous.

Without inviting controversy here, when there is plenty in Washington, I should add a few words about the opposition to the investment tax credit proposal.

There are those who do not agree with the President that first priority should be given to direct fiscal stimulus to fixed investment. Some, principally the spokesmen for organized labor, do not agree that business needs any tax incentives to invest in machinery and equipment for new products or for the modernization or expansion of existing processes in standard products. They would prefer either little or no changes in the Federal tax structure or measures which would directly promote consumption -- such as lower personal taxes.

The proposal for an investment tax credit and proposals for lower personal tax rates are not mutually inconsistent and the Administration hopes to pursue them both.

It accords first priority to a direct stimulus to business fixed investment because our balance of payments problem, with its national security and foreign policy overtones, requires prompt action to give American producers the maximum competitive advantage that can be derived from our technological advances.

Further, it believes that those concerned with the levels of aggregate demand and the fuller utilization of existing facilities should recognize that the capital goods segment of the economy is the most retarded sector of demand in the current recovery and, indeed, since 1957.

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A great deal of objection to the investment tax credit proposal surprisingly comes from those associated with the business community who have for many years contended that something should be done to modify tax policy to provide more incentives for growth, profits and investment. It is significant that all 59 witnesses, except the spokesman for organized labor, who testified on the investment credit in the House of Representatives favored some form of tax incentive for business investment.

The argument among those who wish to provide investment incentives ultimately boils down to whose formula will be adopted. Of course, the enactment of the President's proposal is not the only means of achieving this result. But all of the alternative plans which have been presented to the Treasury or suggested in the course of Congressional hearings would provide much less incentive to modernization, expansion, or new ventures per dollar of revenue cost to the Treasury than does the investment credit. We favor the credit simply because it is the fastest, cheapest, and most effective method yet uncovered to give the results quickly that the national interest requires.

Many of those who favor alternatives criticize the investment credit, labelling it a gimmick, asserting that it bears the taint of a subsidy. Many business spokesmen who hold this view favor the acceleration of depreciation beyond what is justified on the basis of realistic accounting. Careful study and consideration of a wide variety of alternatives to the investment credit show, however, that all of these alternatives, without exception, share the same characteristic of giving the investor in equipment a monetary reward beyond what he would receive on the basis of realistic accounting. They involve an "interest free" loan from Uncle Sam on taxes that would be due except for unrealistic or artificial accounting. The element of subsidy or incentive is equally present in all of them.

And perhaps the principal difference between the "subsidy" proposed by the Administration and the alternatives is that one is open and the others are hidden.

We plead guilty to the charge that we believe in tax incentives for increasing investment. We do so because of a conviction that increasing investment in machinery and equipment for both modernization and growth is in the national interest and necessary to meet the problems of our times. To those who prefer that the device chosen be the more costly one to the Government of providing accelerated depreciation beyond realistic lives for all existing equipment as well as new equipment, the reply is that we cannot afford that more expensive device at this time.

The pending tax bill, as well as the administrative modification of depreciation allowances, represents only a first step in a comprehensive program of tax revision which this

Administration is undertaking. The fundamental goal of more rapid economic growth underlies every aspect of that program. Growth will be a primary objective of our over-all tax reform bill, which will be presented to the Congress later this year.

We need to eliminate inequities, close unwarranted loopholes, and provide a broader and more uniform tax base. If this process, as incorporated in the pending bill and carried forward in the second major tax revision, is successful, it should provide revenue margins that would permit a readjustment of personal and corporate income tax rates which, in turn, would provide profits and growth.

Second, price and wage policy and profits.

As a complement to its tax policy, this Administration has placed new and persistent emphasis on the importance of price and wage policy in the private sector.

The Report of the Council of Economic Advisers in January spelled out clearly the broad national interest in price and wage behavior in a free and growing economy and provided guidelines for relating changes in wages and prices to productivity. In addition, the report, following many statements by the President and other officials of his Administration, gave full emphasis to the damaging effect of inflation on the distribution of income and our efforts to achieve an equilibrium in our international balance of payments. Subsequently, the President stated that:

> "Labor-management contracts should be settled within the realm of productivity increases so that there would be a beneficial effect on price stability."

The statesmanlike performance of representatives of management and labor in concluding successfully a noninflationary collective agreement for the steel industry "within the limits of productivity" has encouraged all Americans, as did the pricing policy of the leaders of that industry last fall.

Mandatory controls in peacetime over the outcome of wage negotiations and over individual price decisions are neither desirable nor in the American tradition. Final wage and price decisions should continue to lie in the private sector, but this discretion should recognize the national interest in the results. It is no accident that productivity is the central guidepost for wage settlements in line with the national interest.

As the Council of Economic Advisers stated:

> "Ultimately, it is rising output per man hour which must yield the ingredients of a rising standard of living. Growth in productivity makes it possible for real wages and real profits to rise side by side."

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It might also be added that rising productivity is essential to this country's leadership of the Free World. It enables us to earn in world competition the means to meet our commitments overseas, and increased productivity depends, in part, on the incentive to earn profits, which, in turn, depends upon sensible price and wage behavior.

Third, research and development promotion and profits.

The importance of research and development to future corporate profits needs no elaboration to this audience. Our Nation and a good part of the industrialized world is in a phase of industrial development characterized by revolutionary changes in the art of management and a sensational growth of technological research. Yet, there is still a considerable concentration of research in a few industries -- partly the result of defense demands of government. There is obviously much room for expansion of technological research, especially in the areas where little research is done.

Research has become a major tool for economic growth, a major method of competition, and a major avenue to profits. The last several decades have given rise to a virtual industry of discovery. The resulting enormous growth of research is making obsolete many of the old theories, such as the "Stagnation Thesis" of the 30's. Corporate enterprises need not wait for demand to grow. As Dr. Sumner Slichter put it: "They have increasing power and ability to create huge demand by creating obsolescence." The end result of increasing research and development is an increasing inventory of investment opportunities.

The factors that limit our national effort and profit potentials in research and development include:

(a) the small supply of scientists and engineers in certain fields,

(b) the relatively small share of effort devoted to research in the civilian sector,

(c) the relatively small effort devoted to basic scientific exploration as compared with applied research, and

(d) the limited percentages of resources applied to research and development in many industries and companies.

This Administration has undertaken programs in education designed to deal with the long-term problem of training more scientists and engineers. The other three limiting factors are the subject of intensive study, at Presidential direction, by

the Panel on Civilian Technology. A week ago the President sent to Congress a reorganization plan, which, in the absence of Congressional objection, will result in the creation of the Office of Science and Technology within the Executive Office of the President. The duties of the new office will include advising and assisting the President with respect to major policies, plans and programs of science and technology of the various agencies of the Federal Government so as to give appropriate emphasis to measures for furthering science and technology in the Nation. An Administration bill to create an Assistant Secretary of Commerce for Science and Technology has been passed by the Congress and signed by the President. Its purpose is to provide better channels for disseminating and utilizing scientific information from all sources -- government, private and foreign. The efforts will not displace, but supplement, the fine work done by the National Science Foundation.

Because of the importance of expanding basic research, the Treasury Department has included it in the many areas it is examining prior to submission to the President of a major tax reform later this year. The possibilities of new tax incentives to encourage corporate or private contributions to finance basic research by such institutions as colleges or universities, or larger undertakings in the private sector by industrial concerns themselves, are being studied as compared with other approaches to the problem.

In this area of civilian research, the role of the national government should not obscure the fine state and local efforts which have paid remarkable dividends in areas as disparate as as Massachusetts and Oregon.

<u>Fourth, export promotion and profits.</u>

Increasing our exports to meet the demand in new and growing markets abroad will stimulate production in our domestic economy, help create the millions of new jobs that are needed in the years ahead, and provide a new source of profits for American industry. In addition, an expanding export trade is an essential step toward eliminating the balance of payments deficits.

The Administration is taking steps to help American business increase its sales abroad. These steps include special efforts to step up the flow of information on export opportunities and to make our producers more export conscious, and a new and comprehensive export insurance program developed by the Export-Import Bank in cooperation with 57 casualty insurance companies to make export credit arrangements for U. S. business equal in its effectiveness to that provided by other countries. However,

all our efforts to put our producers in a position to compete more effectively with foreign producers will be meaningless if a high tariff wall abroad keeps our goods out of foreign markets.

That is why President Kennedy is seeking new trade authority from the Congress so that he can negotiate and bargain down the tariff wall around the Common Market. And bargain it down we must. As internal trade barriers go down in Europe, the effect is to strengthen the external wall around the market which may soon be enlarged to include Great Britain and a number of other nations. Member countries are pledged to eliminate internal barriers, permitting their producers to sell duty free anywhere within the market by 1970. Unless we negotiate access to the market, American producers would have to compete over a tariff wall -- a wall that for some products, in some countries, would be higher than it is today.

The potential that Western Europe's burgeoning market has for our goods cannot be overemphasized. Already our exports to the Common Market exceed our imports by more than 50 percent, and Western Europe is expanding rapidly. If European consumption expands as ours has, the implications for American export opportunities could be extremely promising. Almost 90 percent of the Free World's industrial production is concentrated among the U. S. and the countries in, or likely to be associated with, the Common Market.

The profit prospects and potential in this combined market present both a challenge and a tremendous opportunity which far outweigh the risk. We must accept the challenge, which is simply to compete on equal terms.

Perhaps the implications of this challenge and opportunity may become more vivid in the light of a few facts about Virginia's current export position. Exports of manufactured goods from Virginia amounted to $338.3 million in 1960. A total of 89 establishments exporting $25,000 or more reported $213.3 million of this total. These establishments employed 74,485 workers and their exports represented nearly 9.6 percent of their total value of shipments. Virginia ranked 15th in the Nation in value of manufactured exports -- second in tobacco exports, fifth in paper products, eighth in textiles, lumber and wood, ninth in furniture, and tenth in chemicals.

Virginia's share of the U. S. total of exports of $4.9 billion of agricultural products was $63.4 million in the 1960-61 crop year. Virginia's equivalent share in the 1960-61 National agricultural export total was $15 million for field crops; $8.8 million for livestock and livestock products; $3.7 million for fruits and nuts; and $1 million for vegetables. Virginia's farmers have a direct stake in exports. About 15,000 farm workers may be attributed to the production of farm products that were exported both in unprocessed and processed form. This number represents 7.4 percent of the 203,000 total workers on Virginia's farms.

In the mineral field, exports of bituminous coal from Virginia were estimated at about $24.7 million in 1960 -- over 20 percent of the total production of almost 28 million tons.

The President's trade program, then, is as important to Virginia as it is to other states and holds substantial potential for increased profits for Virginia's manufacturers, farmers, and miners as well as to those connected with foreign trade and commerce.

Fifth, sustaining recovery, avoiding recessions, and their relation to profits.

The memories of those present undoubtedly go back to the recession period in '54 when corporate profits, before taxes, dropped from $38.3 billion in 1953 to $34.1 billion in 1954. We also remember the recession of 1958, when the drop was from $43.2 billion in 1957 to $37.4 billion in 1958. And everyone here will recall the drop from a quarterly rate of $43.2 billion in the Third Quarter of 1960 to a rate of $39.6 billion in the First Quarter of 1961.

This Administration is dedicated to the desirability of prompt and effective action by government, business, and labor to sustain the current recovery and avoid any early return to a pattern of economic decline and recession.

In the last twelve months we have witnessed a substantial increase in personal income, in consumer expenditures, in inventory levels, and in public expenditures. But by late 1962, our continued advance may depend in a very important way on an increase in investment outlays in plant and equipment as a key expansionary force. Industrial operating rates have increased from last winter's recession low of about 78 percent capacity to about 86 percent today. This means we have moved half way to the 94 percent rate preferred by manufacturers -- and it also means we still have half the distance to go in order to achieve full utilization of our

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productive facilities. The sizeable reduction in excess industrial capacity in the past year should make expansion of productive facilities more attractive.

Business firms have more incentive to add to or modernize plant and equipment when their existing capacity is put to good and profitable use. It was against this background that Secretary Dillon urged the adoption of the investment credit before the Senate Finance Committee. He stated that:

> "Throughout our economy, there will be thousands of investment decisions involving billions of dollars during the remainder of this year and in succeeding years which may hinge on the outcome of this legislation. There is often a thin line between a yes and a no decision in the investment area."

There can be no doubt that increasing investment levels in machinery and equipment will help make our present economic recovery more vigorous and longer lasting. Completion of plans and authorization of additional private expenditures on machinery and equipment will create more jobs in the capital goods industry and more demand for a wide variety of products and services. This is the sector of the economy which has been lagging behind for the last four years.

There is a strong association between profits, full employment, vigorous and longer upswings in the economic cycle, and a healthy increase in the levels of capital goods expenditures. That is why, in addition to its other merits, the investment credit should be adopted.

But with three recessions in the past seven years, we cannot assume that there is some magic in the current expansion movement that assures its permanence. There will always be economic fluctuations and changes in the rhythm and pace of advance. Already in the Federal fiscal system are several automatic or built-in stabilizers against recession and inflation. These existing tools have moderated the severity of cyclical swings in the economy since World War II, enabling the basic recuperative powers of the private economy to produce a recovery.

But recent experience proves beyond doubt that additional tools are needed. Accordingly, President Kennedy has recommended a new program of fiscal policy for waging an effective attack on any new or threatened recession, including:

1. Presidential standby authority for prompt temporary income tax reductions to combat a recession, subject to a legislative veto should Congress not concur in the decision of the President;

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2. Standby authority to the President to accelerate and initiate up to $2 billion of appropriately timed capital improvements, when unemployment is rising, at a rate to be stipulated by Congress; and

3. A permanent expansion of unemployment benefit periods, giving wider coverage and providing increased benefit amounts.

Enactment of these three measures will enable Federal fiscal policy to respond firmly, flexibly, and swiftly to oncoming recessions and thereby diminish the violent swings in corporate profits, personal income, and unemployment which have been a large contributing factor both to our slow rate of economic growth and to our big Federal deficits.

Finally, it should be made clear that the problem of corporate profits and national goals is not one for the exclusive concern of the Federal Government, industry and labor. State and local authorities and institutions, as well as the average citizen, have important parts to play.

It would be unbecoming for a Federal official to proffer advice to state and local leadership. However, I hope I may be permitted to applaud some recent developments.

The new emphasis given by Governor Harrison and the General Assembly to the role of the state in encouraging industrial growth and development, and symbolized by the creation of a new division devoted to this function in the Governor's office, is responsive, in his words, to "the importance of industrial growth to an expanding economy" in Virginia, as well as the Nation.

The progress of the Virginia State Ports Authority and its general cargo facilities expansion improvement program at Hampton Roads takes into account not only the needs of the State but the vast potential for foreign trade and commerce which is opening up for the Free World, in which Virginia and its ports and related transportation facilities can play an important role.

Finally, at the risk of unduly flattering my host, I must comment on the significance of the Graduate School of Business Administration at the University of Virginia. Its existence is a tribute to the combination of wise industrial and educational leadership by men like Colgate Darden, Henry McWane, and Homer L. Ferguson with the backing of many trade organizations and professional groups, including the other sponsor of this meeting, the Virginia Manufacturers Association.

One of the most important assets for achieving sound and effective economic growth, which the United States possesses to a degree unexcelled in any part of the world, is the art of business management. The capacity of an economy to discover and develop investment opportunities depends to a considerable degree upon

the art of management. Among the important changes in the American economy that have accelerated that art are the development of a group of professional managers, the growth of organizations devoted to understanding the art of management, and the growth of research in that art. The combination of growing proficiency in the art of management and in technological research and development makes a major contribution to our free society.

This, together with a rising level of productivity, will increase our competitive potential, and give to us and to our allies the economic might which will be the major weapon in the continuing struggle to preserve freedom.

That economic might will depend upon the efforts of all of us, in government, in industry, in education and in the ranks of labor. If we give freely of our energies, and do not waste them in recrimination or unnecessary dispute, we can be sure that freedom will emerge unscathed from this century -- and that, after all, is the goal we all share.

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April 9, 1962

FOR RELEASE A. M. NEWSPAPERS, Tuesday, April 10, 1962.

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 January 11, 1962, and the other series to be dated April 12, 1962, which were offered on April 4, were opened at the Federal Reserve Banks on April 9. Tenders were invited for $1,200,000,000, 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 July 12, 1962		:	182-day Treasury bills maturing October 11, 1962	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.318	2.698%	:	98.590	2.789%
Low	99.311	2.726%	:	98.572	2.825%
Average	99.312	2.720% 1/	:	98.577	2.814% 1/

65 percent of the amount of 91-day bills bid for at the low price was accepted
95 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:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 32,263,000	$ 16,163,000	:	$ 4,126,000	$ 3,991,000
New York	1,732,835,000	738,325,000	:	854,645,000	453,145,000
Philadelphia	27,441,000	12,441,000	:	8,174,000	3,174,000
Cleveland	41,453,000	32,971,000	:	28,952,000	28,852,000
Richmond	23,075,000	15,035,000	:	6,875,000	6,875,000
Atlanta	28,257,000	24,132,000	:	6,842,000	5,562,000
Chicago	336,536,000	207,186,000	:	115,873,000	59,548,000
St. Louis	35,650,000	28,350,000	:	7,779,000	6,279,000
Minneapolis	21,403,000	15,403,000	:	5,630,000	5,130,000
Kansas City	27,156,000	22,327,000	:	7,564,000	6,564,000
Dallas	24,931,000	18,859,000	:	10,451,000	5,451,000
San Francisco	139,631,000	69,281,000	:	31,121,000	15,621,000
TOTALS	$2,470,631,000	$1,200,473,000 a/		$1,088,032,000	$600,192,000 b/

a/ Includes $240,943,000 noncompetitive tenders accepted at the average price of 99.312
b/ Includes $58,727,000 noncompetitive tenders accepted at the average price of 98.577
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.78%, for the 91-day bills, and 2.89%, 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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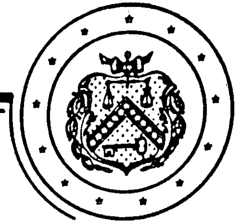

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Atlanta	28,257,000	24,132,000	6,842,000	5,562,000
Chicago	336,536,000	207,186,000	115,873,000	59,548,000
St. Louis	35,650,000	28,350,000	7,779,000	6,279,000
Minneapolis	21,403,000	15,403,000	5,630,000	5,130,000
Kansas City	27,156,000	22,327,000	7,564,000	6,564,000
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TOTALS	$2,470,631,000	$1,200,473,000 a/	$1,088,032,000	$600,192,000 b/

a/ Includes $240,943,000 noncompetitive tenders accepted at the average price of 99.312
b/ Includes $58,727,000 noncompetitive tenders accepted at the average price of 98.577
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.78%, for the 91-day bills, and 2.89%, 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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April 10, 1962

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, April 11, 1962.

RESULTS OF REFUNDING OF $2 BILLION OF ONE-YEAR BILLS

The Treasury Department announced last evening that the tenders for $2,000,000,000, or thereabouts, of 365-day Treasury bills to be dated April 15, 1962, and to mature April 15, 1963, which were offered on April 3, were opened at the Federal Reserve Banks on April 10.

The details of this issue are as follows:

Total applied for - $3,453,408,000
Total accepted - 2,000,446,000 (includes $159,176,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 97.041	Equivalent rate of discount approx. 2.918% per annum
Low	- 97.002	" " " " " 2.957% " "
Average	- 97.017	" " " " " 2.943% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 29,614,000	$ 18,614,000
New York	2,450,984,000	1,540,322,000
Philadelphia	46,179,000	11,179,000
Cleveland	158,894,000	93,894,000
Richmond	26,233,000	17,733,000
Atlanta	23,379,000	15,379,000
Chicago	413,778,000	169,478,000
St. Louis	22,597,000	16,497,000
Minneapolis	30,460,000	20,460,000
Kansas City	39,386,000	23,186,000
Dallas	30,914,000	14,714,000
San Francisco	180,990,000	58,990,000
TOTAL	$3,453,408,000	$2,000,446,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.05%. 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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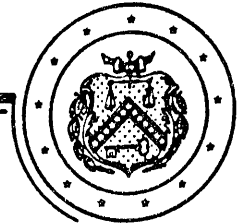
TREASURY DEPARTMENT



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San Francisco	180,990,000	58,990,000
TOTAL	$3,453,408,000	$2,000,446,000

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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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated January 18, 1962, (91 days remaining until maturity date on July 19, 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 Banks on April 19, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 19, 1962. Cash

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

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

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, APRIL 13, 1962 D-455

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1962, to March 31, 1962, 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 March 31, 1962
Buttons............	680,000	Gross	71,698
Cigars.............	160,000,000	Number	2,453,808
Coconut oil........	358,400,000	Pound	41,865,715
Cordage............	6,000,000	Pound	893,186
Tobacco............	5,200,000	Pound	2,574,900

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, APRIL 13, 1962 D-455

The Bureau of Customs announced today the following preliminary figures showing the imports for consumption from January 1, 1962, to March 31, 1962, 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 March 31, 1962
Buttons............	680,000	Gross	71,698
Cigars.............	160,000,000	Number	2,453,808
Coconut oil........	358,400,000	Pound	41,865,715
Cordage............	6,000,000	Pound	893,186
Tobacco............	5,200,000	Pound	2,574,900

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 31, 1962
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butter fat.................	Calendar Year 1962	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 August 1, 1961	1,709,000	Pound	1/ 907,037
Tung Oil..........................	Feb. 1- Oct. 31, 1962			
	Argentina	17,226,164	Pound	1/ 6,734,566
	Paraguay	2,963,370	Pound	-
	Other Countries	936,000	Pound	-

1/ Imports through April 9, 1962.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, APRIL 13, 1962 D-456

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 March 31, 1962, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 31, 1962
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	-
Whole Milk, fresh or sour.........	Calendar Year	3,000,000	Gallon	36
Cattle, 700 lbs. or more each (other than dairy cows)..........	Jan. 1, 1962- March 31, 1962	120,000	Head	27,798
Cattle less than 200 lbs. each....	12 mos. from April 1, 1961	200,000	Head	44,199
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish..........	Calendar Year	28,571,433	Pound	1/ Quota Filled
Tuna Fish........................	Calendar Year	59,059,014	Pound	14,180,044
White or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	36,005,960
Other...........................	Sept. 15, 1961	36,000,000	Pound	10,756,582
Walnuts..........................	Calendar Year	5,000,000	Pound	754,413
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1961- Oct. 31, 1962	69,000,000	Pieces	2/ 67,064,303

1/ Imports for consumption at the quota rate are limited to 7,142,858 pounds during the first three months of the calendar year.

2/ Imports through April 5, 1962.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, APRIL 13, 1962

D-456

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 March 31, 1962, inclusive, as follows:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 31, 1962
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Other...........................	12 mos. from Sept. 15, 1961	36,000,000	Pound	10,756,582
Walnuts..........................	Calendar Year	5,000,000	Pound	754,413
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1961-Oct. 31, 1962	69,000,000	Pieces	67,064,303 2/

1/ Imports for consumption at the quota rate are limited to 7,142,858 pounds during the first three months of the calendar year.

2/ Imports through April 5, 1962.

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 31, 1962
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butter fat................	Calendar Year 1962	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 August 1, 1961	1,709,000	Pound	1/ 907,037
Tung Oil...........................	Feb. 1-Oct. 31, 1962			
	Argentina	17,226,164	Pound	1/ 6,734,566
	Paraguay	2,963,370	Pound	-
	Other Countries	936,000	Pound	-

1/ Imports through April 9, 1962.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, APRIL 13, 1962

D-457

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

QUARTERLY QUOTA PERIOD - April 1 - June 30, 1962

IMPORTS - April 1 - April 7, 1962 (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	4,906,845*	23,680,000	19,905	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	2,793,177*	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	1,714,477*	66,480,000	16,021,554	37,840,000	6,123,773
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,439,245	70,480,000	5,565,435	6,320,000	-
Peru	16,160,000	-	12,880,000	2,001,597	35,120,000	4,637,929	3,760,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	476,640*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	170,467*	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of April 9, 1962

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

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, APRIL 13, 1962

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D-457

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

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IMPORTS - April 1 - April 7, 1962 (or as noted)

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	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	4,906,845*	23,680,000	19,905	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	2,793,177*	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	1,714,477*	66,480,000	16,021,554	37,840,000	6,123,773
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,439,245	70,480,000	5,565,435	6,320,000	-
Peru	16,160,000	-	12,880,000	2,001,597	35,120,000	4,637,929	3,760,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	476,640*	-	-	-	-
All other foreign countries (total)	6,560,000	6,560,000	6,080,000	170,467*	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of April 9, 1962

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

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 April 9, 1962	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1961, to April 9, 1962
United Kingdom	4,323,457	1,704,248	1,441,152	1,441,152
Canada	239,690	239,690	-	-
France	227,420	106,154	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	22,062	12,853	-
Japan	341,535	341,500	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	58,399	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	2,606,446	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.

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IMMEDIATE RELEASE
FRIDAY, APRIL 13, 1962

D-458

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 April 9, 1962

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	149,905	Paraguay	871	-
British India	2,003,483	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, to April 9, 1962

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.

IMMEDIATE RELEASE
FRIDAY, APRIL 13, 1962

D-458

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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.

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(In pounds)

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Netherlands	68,240	22,747	22,747	22,747
Switzerland	44,388	42,019	14,796	12,505
Belgium	38,559	22,062	12,853	-
Japan	341,535	341,500	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
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Germany	76,329	58,399	25,443	23,484
Italy	21,263	-	7,088	-
	5,482,509	2,606,446	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
FRIDAY, APRIL 13, 1962

D-459

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

QUARTERLY QUOTA PERIOD - January 1 - March 31, 1962

IMPORTS - January 1 - March 31, 1962

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	10,080,000	23,680,000	23,680,000	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	5,438,847
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	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,823,895	70,480,000	70,018,531	6,320,000	6,318,623
Peru	16,160,000	16,160,000	12,880,000	7,399,086	35,120,000	35,120,000	3,760,000	3,757,555
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,758,307	-	-	-	-
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

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

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
FRIDAY, APRIL 13, 1962

D-459

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

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IMPORTS - January 1 - March 31, 1962

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Australia	10,080,000	10,080,000	23,680,000	23,680,000	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	5,438,847
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,823,895	70,480,000	70,018,531	6,320,000	6,318,623
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Un. So. Africa	14,880,000	14,880,000	-		-	-	-	-
Yugoslavia	-	-	15,760,000	15,758,307	-	-	-	-
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

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

April 11, 1962

FOR IMMEDIATE RELEASE

RESULTS OF TREASURY'S OFFERING OF 3-3/4% BONDS OF 1968

The Treasury Department today announced a 15 percent allotment on subscriptions in excess of $50,000 for the current cash offering of $1 billion, or thereabouts, of 3-3/4 percent Treasury Bonds of 1968. Subscriptions for $50,000 or less will be allotted in full. Subscriptions for more than $50,000 will be allotted not less than $50,000.

In addition to the amount allotted to the public, $100 million of these bonds were allotted to Government Investment Accounts.

Reports received thus far from the Federal Reserve Banks show that subscriptions for the bonds total about $6,834 million, of which about $1,002 million were received from subscribers in the savings-type investor groups, $4,377 million from commercial banks for their own account and $1,455 million from all others.

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

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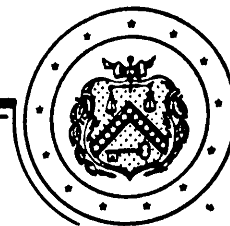
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 11, 1962

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D-460

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 17, 1962.

April 16, 1962

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 January 18, 1962 and the other series to be dated April 19, 1962, which were offered on April 11, were opened at the Federal Reserve Banks on April 16. Tenders were invited for $1,200,000,000 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 July 19, 1962		182-day Treasury bills maturing October 18, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.316	2.706%	98.577 a/	2.815%
Low	99.308	2.738%	98.568	2.833%
Average	99.312	2.723% 1/	98.572	2.825% 1/

a/ Excepting two tenders totaling $140,000
4 percent of the amount of 91-day bills bid for at the low price was accepted
13 percent of the amount of 182-day bills bid for at the low price was accepted

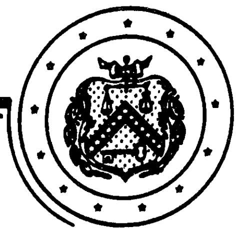
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 31,649,000	$ 14,081,000	$ 4,087,000	$ 2,247,000
New York	1,527,728,000	762,728,000	1,007,499,000	499,564,000
Philadelphia	38,424,000	27,376,000	7,754,000	2,554,000
Cleveland	36,514,000	27,692,000	21,448,000	9,681,000
Richmond	13,070,000	12,470,000	9,523,000	3,973,000
Atlanta	29,571,000	22,433,000	5,880,000	4,912,000
Chicago	299,689,000	162,089,000	112,561,000	39,949,000
St. Louis	39,061,000	33,141,000	8,359,000	6,359,000
Minneapolis	24,744,000	15,334,000	6,913,000	4,313,000
Kansas City	30,924,000	28,064,000	8,787,000	6,487,000
Dallas	21,201,000	16,501,000	4,611,000	3,861,000
San Francisco	143,947,000	78,707,000	43,289,000	16,509,000
TOTALS	$2,236,522,000	$1,200,616,000 b/	$1,240,711,000	$600,409,000 c/

b/ Includes $248,569,000 noncompetitive tenders accepted at the average price of 99.312
c/ Includes $60,870,000 noncompetitive tenders accepted at the average price of 98.572
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.78%, for the 91-day bills, and 2.91%, 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-461

TREASURY DEPARTMENT



FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 17, 1962.

WASHINGTON, D.C.

April 16, 1962

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 January 18, 1962, and the other series to be dated April 19, 1962, which were offered on April 11, were opened at the Federal Reserve Banks on April 16. Tenders were invited for $1,200,000,000, 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:

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APR 16 1962

MEMORANDUM TO OFFICE OF FISCAL ASSISTANT SECRETARY:

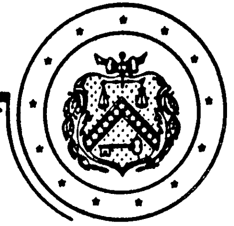
The following transactions were made in direct and guaranteed securities of the government for Treasury Investment and other accounts during the month of March:

Purchases $66,615,000.00

Sales 47,736,550.00

Net Purchases $18,878,450.00

TREASURY DEPARTMENT



WASHINGTON, D.C.

~~March~~ Apr. 16, 1962

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN ~~FEBRUARY~~ MARCH

During ~~February~~ March 1962, 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 ~~$47,149,300.~~ $18,878,450.

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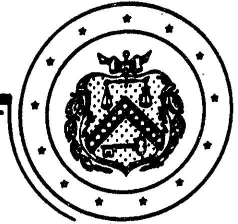
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 16, 1962

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MARCH

During March 1962, 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 $18,878,450.

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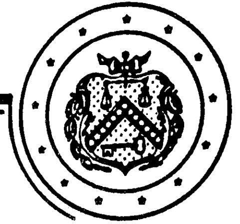
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 17, 1962

FOR IMMEDIATE RELEASE

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 $1,000 million, or thereabouts, of 3-3/4% Treasury Bonds of 1968, due August 15, 1968.

Public subscriptions were allotted 15 percent with subscriptions for $50,000 or less being allotted in full and those for more than $50,000 being allotted not less than $50,000.

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	$ 317,107,500	$ 51,655,000
New York	2,797,280,500	430,897,000
Philadelphia	255,423,000	43,828,000
Cleveland	428,809,500	71,930,500
Richmond	257,821,000	47,730,000
Atlanta	267,544,000	55,410,500
Chicago	965,922,000	170,077,000
St. Louis	194,911,000	44,257,500
Minneapolis	127,072,000	32,555,500
Kansas City	178,383,500	41,935,500
Dallas	216,586,500	40,849,000
San Francisco	819,548,000	126,258,000
Treasury	1,006,000	156,000
Govt. Inv. Accts.	100,000,000	100,000,000
Total	$6,927,414,500	$1,257,539,500

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STATUTORY DEBT LIMITATION

As of March 31, 1962 — April 19, 1962

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 Act of March 13, 1962 (P. L. 87-414 87th Congress) provides for an additional temporary increase of $2,000,000,000, which raises the limitation to $300,000,000,000 for the period beginning on March 13, 1962 and ending on June 30, 1962.

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			$300,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$43,042,509,000		
Certificates of indebtedness	12,370,423,000		
Treasury notes	64,537,539,000	$119,950,471,000	
Bonds -			
Treasury	76,573,469,350		
*Savings (current redemption value)	47,569,298,716		
Depositary	143,702,500		
R. E. A. series	24,178,000		
Investment series	4,839,543,000	129,150,191,566	
Certificates of Indebtedness -			
Foreign series	500,000,000		
Foreign Currency series	74,919,250	574,919,250	
Special Funds -			
Certificates of indebtedness	6,464,055,000		
Treasury notes	6,608,445,000		
Treasury bonds	29,736,432,000	42,808,932,000	
Total interest-bearing		292,484,513,816	
Matured, interest-ceased		352,735,094	
Bearing no interest:			
United States Savings Stamps	53,627,868		
Excess profits tax refund bonds	733,933		
Special notes of the United States:			
Internat'l Monetary Fund series	2,620,000,000		
Internat'l Develop. Ass'n. series	115,304,400		
Inter-American Develop. Bank series	25,000,000	2,814,666,201	
Total		295,651,915,111	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	400,304,500		
Matured, interest-ceased	1,538,800	401,843,300	
Grand total outstanding			296,053,758,411
Balance face amount of obligations issuable under above authority			3,946,241,589

Reconcilement with Statement of the Public Debt March 31, 1962
(Date)

(Daily Statement of the United States Treasury, March 30, 1962)
(Date)

Outstanding -	
Total gross public debt	296,087,624,463
Guaranteed obligations not owned by the Treasury	401,843,300
Total gross public debt and guaranteed obligations	296,489,467,763
Deduct - other outstanding public debt obligations not subject to debt limitation	435,709,352
	296,053,758,411

D-464

STATUTORY DEBT LIMITATION

406

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D-464

~~XXXXXXXXXXXXXXX~~

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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated January 25, 1962, (91 days remaining until maturity date on July 26, 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 Banks on April 26, 1962, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 26, 1962. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 18, 1962

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 $ 1,800,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing April 26, 1962 , in the amount of $ 1,701,734,000 , as follows:

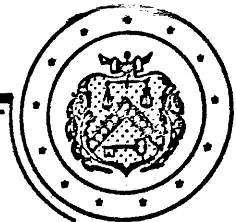
91 -day bills (to maturity date) to be issued April 26, 1962 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated January 25, 1962 , and to mature July 26, 1962 , originally issued in the amount of $ 600,021,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 600,000,000 , or thereabouts, to be dated April 26, 1962 , and to mature October 25, 1962 .

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 23, 1962 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



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

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oOo

January, 1958, as part of a program for financial assistance to France in support of that nation's financial stabilization effort which has proved to be highly successful.

Treasury Secretary Douglas Dillon, then Under Secretary of State, signed the agreement on behalf of the United States which rescheduled the debt payments. The French Financial Mission was headed by M. Jean Monnet.

Acting Secretary Fowler expressed his appreciation for the French action which was made possible by the development of a strong international payments position in France. He termed the prepayment an example of the growing spirit of financial cooperation among the major industrial nations of the free world, which is contributing to the strengthening of the international financial system.

April 19, 1962

FOR IMMEDIATE RELEASE:

FRENCH DEBT PREPAYMENT TOTALS $60,000,000

The Republic of France today paid the United States nearly $60,000,000 to cover debt installments not due until 1981 and 1982, Acting Secretary Henry H. Fowler announced today.

A check in the amount of $59,622,516.54 was delivered by a representative of the French Embassy to the Treasury Department. The amount represented two annual installments of approximately $30 million each.

The payments were originally scheduled to be made on July 1, 1958 and July 1, 1959, in accordance with surplus property and lend lease agreements entered into in 1946 and 1947, which provided for annual payments thru 1980. The 1958 and 1959 payments were postponed until 1981 and 1982 under a new agreement concluded in

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 19, 1962

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FRENCH DEBT PREPAYMENT TOTALS $60,000,000

The Republic of France today paid the United States nearly $60,000,000 to cover debt installments not due until 1981 and 1982, Acting Treasury Secretary Henry H. Fowler, announced today.

A check in the amount of $59,622,516.54 was delivered to the Treasury Department by a representative of the French Embassy. The amount represented two annual installments of approximately $30 million each.

The payments were originally scheduled to be made on July 1, 1958 and July 1, 1959, in accordance with surplus property and lend lease agreements entered into in 1946 and 1947. These agreements provided for the payment of the sum of $685 million at 2 percent interest, payable in annual installments through 1980. The 1958 and 1959 payments were postponed until 1981 and 1982 under a new agreement concluded in January, 1958, as part of a program for financial assistance to France in support of that nation's financial stabilization effort which has proved to be highly successful.

Treasury Secretary Douglas Dillon, then Deputy Under Secretary of State for Economic Affairs, signed, on behalf of the United States, the agreement which rescheduled the debt payments. The French Financial Mission was headed by M. Jean Monnet.

Acting Secretary Fowler expressed his appreciation for the French action which was made possible by the development of a strong international payments position in France. He termed the prepayment an example of the growing spirit of financial cooperation among the major industrial nations of the free world, which is contributing to the strengthening of the international financial system.

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D-466

TREASURY DEPARTMENT
Washington

April 19, 1962

MEMORANDUM TO THE PRESS

The Treasury Department today denied the assertion in a statement issued by the Joint Senate-House Republican leadership late this afternoon that Treasury Department officials reconsidered the planned increase in depreciation rates for steel. It also denied the report referred to in the statement that the Internal Revenue Service made any menacing move toward U. S. Steel's incentive benefits plan for its executives.

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oOo

Relea today

Leddy approved -
Len Greening - State

Edwin C. Rendall, Latin American Division, Office of International Finance, Treasury Department
Alexander M. Rosenson, US Alternate Executive Director, Inter-American Development Bank
Melvin E. Sinn, International Economist, Bureau of Inter-American Affairs, Department of State
Reuben Sternfeld, Director, Office of Development Planning Bureau for Latin America, AID
William N. Turpin, Director, Executive Secretariat, Treasury Department

STAFF

~~Dorothy S. de Borchgrave~~ Edna Ponton, ~~Assistant~~ Secretary to the Secretary of the Treasury
Eva Hallam, Secretary to the Assistant Secretary of the Treasury

Joseph A. McDonough, Jr., Lieutenant, USCG, Aide to the Secretary of the Treasury
Margaret Truitt, Secretary to the Chief of the Latin American Division, Treasury Department

Arthur Godfrey, John Holtzhauer, Frank Leyva, Ernest Aragon
Personal Staff of the Secretary

(2)

~~April 11, 1962~~

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US Delegation to ~~Meeting of~~ Board of Governors
of IDB, ~~Buenos Aires, April 23-26~~

~~GOVERNOR~~

~~Douglas Dillon, Secretary of the Treasury~~

TEMPORARY ALTERNATE GOVERNORS

John M. Leddy, Assistant Secretary of the Treasury
Teodoro Moscoso, US Coordinator, Alliance for Progress

United States ~~US~~ EXECUTIVE DIRECTOR, Inter-American Development Bank ~~IDB~~

Robert Cutler

CONGRESSIONAL ADVISORS

Charles A. Vanik (D) Ohio [illegible] Banking & Currency Committee, U.S. House of Representatives
Seymour Halpern, R) N.Y.

SENIOR ADVISORS

~~Robert H. Knight, General Counsel, Treasury Department~~
Harold F. Linder, President, Export-Import Bank
Robert McClintock, US Ambassador to Argentina

ADVISORS

Harry Conover, Economic Counsellor, US Embassy, Buenos Aires
Henry Costanzo, Latin American Division, Office of International Finance
Dixon Donnelley, Assistant to the Secretary of the Treasury for Public Affairs
✓ Roy [illegible], Assistant General Counsel, Treasury Dept.
Stanley Grand, Acting Deputy Assistant Administrator for Capital Development and Finance, AID
Herbert K. May, Chief, Latin American Division, Office of International Finance
Albion Patterson, Director, AID Mission, American Embassy, Buenos Aires

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TREASURY DEPARTMENT
WASHINGTON

DRAFT: DCTempleman:ebb
3/27/62

Saturday AM newspapers

For Release: ~~Friday PM~~ ~~March 30,~~ April 21 1962

Dillon to Head U.S. Delegation to Meeting of Inter-American Development Bank

Treasury Secretary Douglas Dillon will head the United States delegation to the Third Annual Meeting of the Board of Governors of of the Inter-American Development Bank ~~to be held~~ in Buenos Aires, Argentina from April ~~5-11~~ 23-27. The Secretary will be one of twenty Governors representing the 20 countries which are members of the Bank.

The Bank, which was established late in 1959 and ~~first~~ opened its doors for business in October 1960, is designed to contribute to the acceleration of the process of economic development of the member countries. All the Latin American republics except Cuba are members ~~of the Bank~~. In addition to its own resources of almost $1 billion, the Bank is Administrator of a $394 million Social Progress Trust Fund provided by the United States under a special trust agreement signed in June 1961.

~~The President of Argentina is expected to address the meeting on April 5. On the following day, Mr. Felipe Herrera, President of the Bank will deliver his annual address and will formally present the Second Annual Report of the Bank's lending and technical assistance operations during 1961 for the approval of the Board. General statements by the Governors will follow.~~

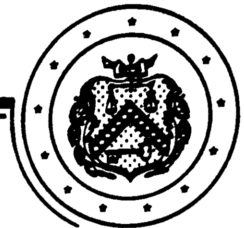
~~Informal roundtable discussions on "The Participation of Europe in the Economic Development of Latin America "and "Private Enterprise and National Development Programs" are also scheduled.~~

~~United States officials who will accompany Secretary Dillon to the meeting include:~~

MEMBERS OF THE U.S. DELEGATION INCLUDE:

D-467

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 20, 1962

FOR RELEASE A.M. NEWSPAPERS
SATURDAY, APRIL 21, 1962

SECRETARY DILLON TO HEAD U. S. DELEGATION TO
BUENOS AIRES MEETING OF INTER-AMERICAN DEVELOPMENT BANK

Treasury Secretary Douglas Dillon will head the United States delegation to the Third Annual Meeting of the Board of Governors of the Inter-American Development Bank in Buenos Aires, Argentina, from April 23-26. The Secretary will be one of twenty Governors representing the 20 countries which are members of the Bank.

The Bank, which was established late in 1959 and opened its doors for business in October 1960, is designed to contribute to the acceleration of the process of economic development of the member countries. All the Latin American republics except Cuba are members. In addition to its own resources of almost $1 billion, the Bank is Administrator of a $394 million Social Progress Trust Fund provided by the United States under a special trust agreement signed in June 1961.

Members of the U. S. Delegation include:

TEMPORARY ALTERNATE GOVERNORS

John M. Leddy, Assistant Secretary of the Treasury.
Teodoro Moscoso, U. S. Coordinator, Alliance for Progress.

UNITED STATES EXECUTIVE DIRECTOR,
INTER-AMERICAN DEVELOPMENT BANK

Robert Cutler

CONGRESSIONAL ADVISORS

Charles A. Vanik, (D) Ohio, House Banking and Currency Committee, U. S. House of Representatives.
Seymour Halpern, (R) New York, House Banking and Currency Committee U. S. House of Representatives.

April 23, 1962

FOR RELEASE A. M. NEWSPAPERS, Tuesday, April 24, 1962.

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 January 25, 1962, and the other series to be dated April 26, 1962, which were offered on April 18, were opened at the Federal Reserve Banks on April 23. Tenders were invited for $1,200,000,000 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 July 26, 1962		182-day Treasury bills maturing October 25, 1962	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.314	2.714%	98.574	2.821%
Low	99.305	2.749%	98.562	2.844%
Average	99.307	2.740% 1/	98.566	2.837% 1/

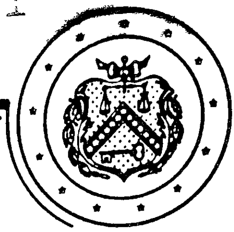
59 percent of the amount of 91-day bills bid for at the low price was accepted
71 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 48,504,000	$ 34,504,000	$ 6,461,000	$ 6,182,000
New York	1,466,234,000	751,284,000	943,379,000	487,019,000
Philadelphia	27,656,000	12,656,000	9,584,000	4,584,000
Cleveland	72,152,000	48,052,000	24,719,000	14,582,000
Richmond	14,657,000	12,157,000	7,026,000	3,801,000
Atlanta	19,183,000	17,483,000	8,900,000	8,800,000
Chicago	281,250,000	212,150,000	113,375,000	39,855,000
St. Louis	26,757,000	19,757,000	7,016,000	5,371,000
Minneapolis	19,425,000	12,605,000	5,500,000	3,000,000
Kansas City	23,795,000	22,795,000	6,580,000	6,480,000
Dallas	20,471,000	16,061,000	11,337,000	7,337,000
San Francisco	83,315,000	41,355,000	23,769,000	13,392,000
TOTALS	$2,103,399,000	$1,200,859,000 a/	$1,167,646,000	$600,403,000 b/

a/ Includes $208,575,000 noncompetitive tenders accepted at the average price of 99.307
b/ Includes $53,922,000 noncompetitive tenders accepted at the average price of 98.566
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.80%, for the 91-day bills, and 2.92%, 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.

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Richmond	14,657,000	12,157,000	7,026,000	3,801,000
Atlanta	19,183,000	17,483,000	8,900,000	8,800,000
Chicago	281,250,000	212,150,000	113,375,000	39,855,000
St. Louis	26,757,000	19,757,000	7,016,000	5,371,000
Minneapolis	19,425,000	12,605,000	5,500,000	3,000,000
Kansas City	23,795,000	22,795,000	6,580,000	6,480,000
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"The Charter of Punta del Este which last August established the Alliance for Progress is the framework of goals and conditions for what has been called 'a peaceful revolution on a Hemispheric scale.'"

"That revolution had begun before the Charter was drawn. It will continue after its goals are reached. If its goals are not achieved, the revolution will continue, but its methods and results will be tragically different. History has removed for governments the margin of safety between the peaceful revolution and the violent revolution. The luxury of a leisurely interval is no longer available."

in a measurable and tangible form. What is called for are policies which continually blend financial stability with economic and social development.

The Alliance for Progress is a ten-year program which is only a year old. We have accomplished much in one year, but history is in a hurry.

Whether we delay or act, whether we succeed or fail, we know that present conditions will not endure. The winds of change are blowing throughout the world. Let us then employ our wisdom, our energy, and our dedicated efforts in striving for a peaceful change to a better life in freedom, in striving to save our peoples from the violent change of bloodshed and tyranny.

I offer the words of the President of the United States, delivered last month on the first anniversary of the Alliance:

a free society must be directed to offering education to the illiterate; assuring homes, land and food for the homeless, landless and hungry; bringing productive work to the unemployed; and instilling in the hearts of the underprivileged hope for the future instead of despair. These are tasks of statesmanship which require positive and forward-looking programs, not merely negative restraints. They demand intelligent, imaginative planning for the use of national resources. They call for courageous political leadership to bring about changes in society often contrary to the immediate interests of powerful opposing minorities. Financial stabilization, even though it is essential to the process of widely-shared growth, cannot by itself meet the insistent demands of the people for the better life denied them by the existing order of things. And experience shows that efforts to achieve financial stabilization will themselves be overthrown by irresistible pressures in the absence of effective and concrete programs to bring economic growth and social improvement

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Above all, we shall need wise planning, with a real sense of priorities. The nine-man panel set up to review national plans is a major step to efficient planning. I wish to reiterate that it will be the policy of the United States to give great weight to the views of the panel in providing development assistance under the Alliance for Progress.

At our last meeting a year ago in Rio de Janeiro I suggested that the objectives of the Alliance for Progress could be defined as growth, stability and social equity for the individual. In particular, I stated the conviction of the United States that financial stabilization must be accompanied by social progress and economic growth if the goals of the Alliance for Progress are to be realized. I should like on this occasion to restate and re-emphasize that belief. I think it is clear beyond any possible doubt that in our modern era democratic governments cannot long endure if they neglect the needs of the people for social improvement and rising standards of living. That is why government policy in

more efficient tax systems, tighter administration and stricter enforcement of legislation already in effect, can widespread tax inequities, non-compliance, and evasion be stopped, and the vital resources of the continent marshalled for progress.

In the period ahead we shall need greater land productivity, including a better system of land distribution, so that land does not lie idle or ineffectively used, and so that hard-pressed farmers are not exploited. The type of land reform needed also varies widely from country to country. In some, the need may be for the opening up of new public lands, by irrigation or by building roads. In others, the acquisition and reallocation of private land holdings may be in the national interest. The need for reform -- particularly reform and investment to increase efficiency -- is indicated by the fact that while roughly half of Latin America's labor force is involved in agriculture, agriculture represents considerably less than half its total output. Increasing, and at the same time diversifying, agricultural productivity is an urgent need.

had been taken to achieve the land, tax, and administrative reforms that must be carried out if assistance funds from the United States and elsewhere are to produce the effect for which they are designed. These steps are reflected in the detailed report of the Bank, as Administrator of the Social Progress Trust Fund for the Calendar Year 1961, with respect to each member country. In some countries, beginnings have been made by law or are under legislative consideration. More than half the members of the Alliance either have national development plans completed or under way. Our progress so far offers hope for the future, even as we recognize that much more remains to be done.

In the period ahead we shall need sounder tax laws and better tax administration to provide the revenue to finance needed self-help measures, to assure that all bear an equitable share of the burden of providing that revenue, and to end the huge annual losses from tax evasion. Each country's needs are different, but nearly all need more efficient tax systems. For only through

which we established in the Charter of Punta del Este is not excessive in a continent where the average per capita annual gross product is about $300. But this goal cannot be achieved without more private investment. Private capital will also bring with it the needed technicians, skilled help and know-how so important to creating real growth. If private enterprise follows a policy of mixed capital financing -- part foreign and part local funds -- there will be benefits for all concerned, not the least of which will be the training and utilization of Latin America's own people. Such ventures will encourage the development of local technical and managerial talents and will allow existing talent to gain greater experience.

The broad Charter upon which we all agreed at Punta del Este, and the Act of Bogota which preceded it, were based upon the principles of self-help and economic and social reform. Before the end of 1961, beginning steps

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Government of the United States in the program for the rehabilitation of the Bolivian Mining Corporation is an interesting and welcome move towards international cooperation. My Government will continue to seek such cooperation by other capital exporting countries in increasing the flow of long term public development capital for Latin America.

I was glad to learn, in this connection, that the Bank had established a European representative office, under the direction of an able Argentine, Julio Gonzalez del Solar, which should be of assistance in interesting European capital in Latin America.

In addition, private capital must be encouraged both within Latin America and from the industrialized countries. Private funds in large amounts are essential if economic growth is to be stimulated to the point where it will outstrip the population gain and provide a significant rise in the standard of living. The goal of 2 1/2 percent yearly increase in per capita economic growth

for Progress is important to the entire free world. Other industrialized countries, along with the United States, must help if its success is to be assured. This will mean development loans on flexible terms to replace and supplement the high-interest supplier's credits which up to now have constituted the bulk of European credits to Latin America. It is my sincere hope that the other industrial nations of the Free World will play a greater role in the development of Latin America in the future than they have in the past. Each of our governments must do everything in its power to achieve this result. The new era in international economic cooperation which is just beginning, as evidenced by the Common Market, the Organization for European Cooperation and Development, and the Alliance itself, is an opportune time to encourage outside aid and investment for Latin America.

The participation of the Government of the Federal Republic of Germany with the Inter-American Development Bank, the Government of Argentina, and the

$400 million came from the Agency for International Development, $375 million from the Export-Import Bank, $135 million under the Food for Peace Program, $130 million from the Social Progress Trust Fund, and several millions more for other assistance, including activities of the Peace Corps.

As you know, President Kennedy has asked the United States Congress for $3 billion to finance development aid programs under the Alliance for Progress during the next four fiscal years. He asked that $600 million be appropriated by the United States Congress for the fiscal year 1963, which starts this July. This amount would be in addition to the amounts to be provided by the Export-Import Bank, by the Food for Peace program and from the Social Progress Trust Fund during fiscal year 1963.

Latin America must also look to the other industrialized countries of Western Europe, Japan and Canada for development assistance. The Alliance

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owner, the small farmer, the water-user can afford. Self-help, and the dignity and independence of the individual, are thus being emphasized.

These accomplishments of the Bank have been achieved within the framework of the Alliance for Progress. The Alliance has had a year of solid achievement. I say this in the full knowledge of all that remains to be done, of all the obstacles that must still be overcome, of the wide-spread poverty, disease, hunger, and despair that still exists in our hemisphere. But we can here take note of the progress that has been made, with the understanding that we are far from satisfied with it, and that we will not be satisfied until our task is accomplished.

My Government has fulfilled the promise which it made at Punta del Este last August to commit more than a billion dollars in public assistance to Latin America during the first year of the Alliance. More than

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testifies to our belief that economic progress cannot be successfully achieved if social needs are ignored.

In its first 10 months of administering that Fund, the Bank has made loans totalling over $200 million. These loans from the Social Progress Trust Fund, and others to come, will help to provide adequate homes for those who lack them, to give the small farmer access to credit on terms he can afford, to bring the blessing of pure water to many now forced to use contaminated supplies. In the true spirit of a common purpose, those who receive these benefits will also share in their creation. They and their neighbors will help to build homes with their own hands; the homes will not be rented but sold, so that the pride and satisfaction of family ownership can be realized; and those who receive pure water in their homes will pay for it -- on liberal terms which the home

loans [illegible]

As President Herrera has pointed out, the Bank has already committed a substantial part of its resources. It is clear that, if the Bank is to continue to lend in the future at the same rate as in the past, the time is not far distant when its existing resources will have been exhausted. The United States therefore welcomes the proposal of the management that the Executive Directors be asked to study the question of the future replenishment of the Bank's lendable assets.

I would like now to speak of the very important work of the Bank in dealing, as Administrator under the Social Progress Trust Fund Agreement, with the $394 million of resources placed in that Fund by the Government of the United States. This sum was, as you know, the bulk of the half-billion dollars voted by the Congress of the United States in response to the call for social progress in the Act of Bogota. It

I am sure that all of us are especially gratified by the confidence which the financial community has shown in the Bank's lending operations from its Ordinary Capital Resources. A large number of leading commercial banks -- including several in Western Europe -- have participated in 22 of these loans without the Bank's guarantee. And -- even more striking evidence of this confidence -- was the action of a group of leading Italian banks in subscribing to the Bank's first bond issue of more than 24 million dollars in lire bonds, the net proceeds of which will enlarge the Bank's Ordinary Capital Resources. This kind of foreign financial operation, during an international bank's first years, is both exceptional and significant. The Bank has acted promptly to implement the spirit of the Act of Bogota and the wishes of the Board of Governors that efforts be made to attract the resources of Europe towards the development of Latin America.

truly vital area of Latin American economic development -- an area which, moreover, has hitherto been literally starved for credit.

The technical assistance loans and grants provided by the Bank during 1961 -- amounting to well over five million dollars -- also made a valuable contribution to economic growth in Latin America. Pre-investment studies -- such as those being made for an Argentine hydroelectric project, for the Bolivian mining industry, for the highway system in Honduras -- are often essential for sound investment decisions. The technical assistance which the Bank has extended for both national and regional planning and development organizations should also yield a rich harvest in the years to come. Of immediate practical help to many member countries was the technical assistance to development institutions -- in helping to reorganize their structure and administration so as to enable them to utilize the Bank's loans more efficiently.

In the year ending December 31, 1961, 55 loans totalling $178 million were made to 18 member countries from the Bank's Ordinary Capital Resources and its Fund for Special Operations. This is a remarkable record for a newly-established banking institution.

Over half of the $178 million represented loans to assist private enterprise in the member countries, thus fulfilling one of the important purposes of the Bank's Charter to promote private investment in economic development. In large part, these funds were provided to development institutions for relending to small and medium-sized private industrial and agricultural undertakings. These enterprises, in their thousands of small beginnings, stimulate each other, create centers of local prosperity, and lay a basis for the accelerating, self-generating growth so important in creating a modern, integrated free market economy. The Bank has thus been reaching a

The first year of operations of the Inter-American Development Bank coincides with the first year of the Alliance for Progress. The solid achievements of the Bank, both in its own capacity as a Bank and as Administrator of the Social Progress Trust Fund, encourage us in our conviction that this unique and capable institution will in succeeding years fulfill our best hopes in assisting the economic and social development of the Latin American countries and will continue to play a leading part in furthering the Alliance for Progress.

It is appropriate that I should speak first of the Bank's excellent progress in managing its own resources -- progress reflected in those parts of the Annual Report dealing with the Ordinary Capital Resources, the Fund for Special Operations, and technical assistance operations.

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Treasury Department
Washington

Address by the Honorable Douglas Dillon,

United States Secretary of the Treasury

and Governor of the Inter-American

Development Bank, Buenos Aires, Argentina,

April 25, 1962

It is a genuine pleasure for me to join my fellow Governors and the Management of the Inter-American Development Bank at our Third Annual Meeting. I regret that long-standing commitments at home made it impossible for me to participate in your discussions earlier this week. But I have read with appreciation President Herrera's admirable opening address -- upon which I congratulate him -- and look forward to studying the statements that were made by other Governors before my arrival. May I add a word of personal thanks to our host government for the warm hospitality which it has extended to us in this beautiful city of Buenos Aires.

D-469

TREASURY DEPARTMENT
Washington

April 25, 1962

The following changes and additions should be noted in the attached text of an address by the Honorable Douglas Dillon, United States Secretary of the Treasury and Governor of the Inter-American Development Bank, at the Third Annual Meeting of the Board of Governors, Inter-American Development Bank, Buenos Aires, Argentina, Wednesday, April 25, 1962, 4:00 P.M. (Local Time), and for release at 2:00 P.M., EST, same date:

Insert Page 2 after second full paragraph:

"I am glad to hear that the Governors have already adopted this proposal. I am also most interested to learn that the Governors early today adopted a resolution calling on the Executive Director to study the question of export financing. Certainly the diversification of exports is a most important part of long-range plans for the development of Latin-America. The growth of what I might call "export-mindedness" among both the government and the business community of the region must also form part of this process. The increasing attention being devoted to the export of capital goods is a very encouraging sign. I will look forward with great interest to the results of the forthcoming study. We are prepared to consider with an open mind any practical proposals which emerge from this study."

Page 3, second paragraph, next to last sentence should read:

"They and their neighbors will help to build homes with their own hands; the homes will not be rented but sold, so that the pride and satisfaction of family ownership can be realized; and those who receive pure water in their homes will pay for it -- loans for all these purposes are being provided on liberal terms which the home owner, the small farmer, the water-user can afford."

D-449

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Washington

April 25, 1962

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D-469

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TREASURY DEPARTMENT
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ADDRESS BY THE HONORABLE DOUGLAS DILLON,
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GOVERNOR OF THE INTER-AMERICAN DEVELOPMENT BANK,
AT THE
THIRD ANNUAL MEETING OF THE BOARD OF GOVERNORS,
INTER-AMERICAN DEVELOPMENT BANK, BUENOS AIRES, ARGENTINA,
WEDNESDAY, APRIL 25, 1962, 4:00 P.M.(LOCAL TIME)

It is a genuine pleasure for me to join my fellow Governors and the Management of the Inter-American Development Bank at our Third Annual Meeting. I regret that long-standing commitments at home made it impossible for me to participate in your discussions earlier this week. But I have read with appreciation President Herrera's admirable opening address -- upon which I congratulate him -- and look forward to studying the statements that were made by other Governors before my arrival. May I add a word of personal thanks to our host government for the warm hospitality which it has extended to us in this beautiful city of Buenos Aires.

The first year of operations of the Inter-American Development Bank coincides with the first year of the Alliance for Progress. The solid achievements of the Bank, both in its own capacity as a Bank and as Administrator of the Social Progress Trust Fund, encourage us in our conviction that this unique and capable institution will in succeeding years fulfill our best hopes in assisting the economic and social development of the Latin American countries and will continue to play a leading part in furthering the Alliance for Progress.

It is appropriate that I should speak first of the Bank's excellent progress in managing its own resources -- progress reflected in those parts of the Annual Report dealing with the Ordinary Capital Resources, the Fund for Special Operations, and technical assistance operations.

In the year ending December 31, 1961, 55 loans totalling $178 million were made to 18 member countries from the Bank's Ordinary Capital Resources and its Fund for Special Operations. This is a remarkable record for a newly-established banking institution.

Over half of the $178 million represented loans to assist private enterprise in the member countries, thus fulfilling one of the important purposes of the Bank's Charter to promote private investment in economic development. In large part,

these funds were provided to development institutions for relending to small and medium-sized private industrial and agricultural undertakings. These enterprises, in their thousands of small beginnings, stimulate each other, create centers of local prosperity, and lay a basis for the accelerating, self-generating growth so important in creating a modern, integrated free market economy. The Bank has thus been reaching a truly vital area of Latin American economic development -- an area which, moreover, has hitherto been literally starved for credit.

The technical assistance loans and grants provided by the Bank during 1961 -- amounting to well over five million dollars -- also made a valuable contribution to economic growth in Latin America. Preinvestment studies -- such as those being made for an Argentine hydroelectric project, for the Bolivian mining industry, for the highway system in Honduras -- are often essential for sound investment decisions. The technical assistance which the Bank has extended for both national and regional planning and development organizations should also yield a rich harvest in the years to come. Of immediate practical help to many member countries was the technical assistance to development institutions -- in helping to reorganize their structure and administration so as to enable them to utilize the Bank's loans more efficiently.

I am sure that all of us are especially gratified by the confidence which the financial community has shown in the Bank's lending operations from its Ordinary Capital Resources. A large number of leading commercial banks -- including several in Western Europe -- have participated in 22 of these loans without the Bank's guarantee. And -- even more striking evidence of this confidence -- was the action of a group of leading Italian banks in subscribing to the Bank's first bond issue of more than 24 million dollars in lira bonds, the net proceeds of which will enlarge the Bank's Ordinary Capital Resources. This kind of foreign financial operation, during an international bank's first years, is both exceptional and significant. The Bank has acted promptly to implement the spirit of the Act of Bogota and the wishes of the Board of Governors that efforts be made to attract the resources of Europe towards the development of Latin America.

As President Herrera has pointed out, the Bank has already committed a substantial part of its resources. It is clear that, if the Bank is to continue to lend in the future at the same rate as in the past, the time is not far distant when its existing resources will have been exhausted. The United States therefore welcomes the proposal of the management that the Executive Directors be asked to study the question of the future replenishment of the Bank's lendable assets.

I would like now to speak of the very important work of the Bank in dealing, as Administrator under the Social Progress Trust Fund Agreement, with the $394 million of resources placed in that Fund by the Government of the United States. This sum was, as you know, the bulk of the half-billion dollars voted by the Congress of the United States in response to the call for social progress in the Act of Bogota. It testified to our belief that economic progress cannot be successfully achieved if social needs are ignored.

In its first 10 months of administering that Fund, the Bank has made loans totalling over $200 million. These loans from the Social Progress Trust Fund, and others to come, will help to provide adequate homes for those who lack them, to give the small farmer access to credit on terms he can afford, to bring the blessing of pure water to many now forced to use contaminated supplies. In the true spirit of a common purpose, those who receive these benefits will also share in their creation. They and their neighbors will help to build homes with their own hands; the homes will not be rented but sold, so that the pride and satisfaction of family ownership can be realized; and those who receive pure water in their homes will pay for it -- all on liberal terms which the home owner, the small farmer, the water-user can afford. Self-help, and the dignity and independence of the individual, are thus being emphasized.

These accomplishments of the Bank have been achieved within the framework of the Alliance for Progress. The Alliance has had a year of solid achievement. I say this in the full knowledge of all that remains to be done, of all the obstacles that must still be overcome, of the wide-spread poverty, disease, hunger, and despair that still exists in our hemisphere. But we can here take note of the progress that has been made, with the understanding that we are far from satisfied with it, and that we will not be satisfied until our task is accomplished.

My Government has fulfilled the promise which it made at Punta del Este last August to commit more than a billion dollars in public assistance to Latin America during the first year of the Alliance. More than $400 million came from the Agency for International Development, $375 million from the Export-Import Bank, $135 million under the Food for Peace Program, $130 million from the Social Progress Trust Fund, and several millions more for other assistance, including activities of the Peace Corps.

As you know, President Kennedy has asked the United States Congress for $3 billion to finance development aid programs under the Alliance for Progress during the next four fiscal years. He asked that $600 million be appropriated by the United States Congress for the fiscal year 1963, which starts this July. This amount would be in addition to the amounts to be provided by the Export-Import Bank, by the Food for Peace Program and from the Social Progress Trust Fund during fiscal year 1963.

Latin America must also look to the other industrialized countries of Western Europe, Japan and Canada for development assistance. The Alliance for Progress is important to the entire free world. Other industrialized countries, along with the United States, must help if its success is to be assured. This will mean development loans on flexible terms to replace and supplement the high-interest supplier's credits which up to now have constituted the bulk of European credits to Latin America. It is my sincere hope that the other industrial nations of the free world will play a greater role in the development of Latin America in the future than they have in the past. Each of our governments must do everything in its power to achieve this result. The new era in international economic cooperation which is just beginning, as evidenced by the Common Market, the Organization for European Cooperation and Development, and the Alliance itself, is an opportune time to encourage outside aid and investment for Latin America.

The participation of the Government of the Federal Republic of Germany with the Inter-American Development Bank, the Government of Argentina, and the Government of the United States in the program for the rehabilitation of the Bolivian Mining Corporation is an interesting and welcome move towards international cooperation. My Government will continue to seek such cooperation by other capital exporting countries in increasing the flow of long term public development capital for Latin America.

I was glad to learn, in this connection, that the Bank had established a European representative office, under the direction of an able Argentine, Julio Gonzalez del Solar, which should be of assistance in interesting European capital in Latin America.

In addition, private capital must be encouraged both within Latin America and from the industrialized countries. Private funds in large amounts are essential if economic growth is to be stimulated to the point where it will outstrip the population gain and provide a significant rise in the standard of living. The goal of 2-1/2 per cent yearly increase in per capita economic growth which we established in the Charter of Punta del Este is not excessive in a continent where the average per capita annual gross product is about $300. But this goal cannot be achieved without more private investment. Private capital will also bring with it the needed technicians, skilled help and know-how so important to creating real growth. If private enterprise follows a policy of mixed capital financing -- part foreign and part local funds -- there will be benefits for all concerned, not the least of which will be the training and utilization of Latin America's own people. Such ventures will encourage the development of local technical and managerial talents and will allow existing talent to gain greater experience.

The broad Charter upon which we all agreed at Punta del Este, and the Act of Bogota which preceded it, were based upon the principles of self-help and economic and social reform. Before the end of 1961, beginning steps had been taken to achieve the land, tax and administrative reforms that must be carried out if assistance funds from the United States and elsewhere are to produce the effect for which they are designed. These steps are reflected in the detailed report of the Bank, as Administrator of the Social Progress Trust Fund for the Calendar Year 1961, with respect to each member country. In some countries, beginnings have been made by law or are under legislative consideration. More than half the members of the Alliance either have national development plans completed or under way. Our progress so far offers hope for the future, even as we recognize that much more remains to be done.

In the period ahead we shall need sounder tax laws and better tax administration to provide the revenue to finance needed self-help measures, to assure that all bear an equitable share of the burden of providing that revenue, and to end the huge annual losses from tax evasion. Each country's needs are different, but nearly all need more efficient tax systems. For only through more efficient tax systems, tighter administration and stricter enforcement of legislation already in effect, can widespread tax inequities, non-compliance, and evasion be stopped, and the vital resources of the continent marshalled for progress.

In the period ahead we shall need greater land productivity, including a better system of land distribution, so that land does not lie idle or ineffectively used, and so that hard-pressed farmers are not exploited. The type of land reform needed also varies widely from country to country. In some, the need may be for the opening up of new public lands, by irrigation or by building roads. In others, the acquisition and reallocation of private land holdings may be in the national interest. The need for reform -- particularly reform and investment to increase efficiency -- is indicated by the fact that while roughly half of Latin America's labor force is involved in agriculture, agriculture represents considerably less than half its total output. Increasing, and at the same time diversifying, agricultural productivity is an urgent need.

Above all, we shall need wise planning, with a real sense of priorities. The nine-man panel set up to review national plans is a major step to efficient planning. I wish to reiterate that it will be the policy of the United States to give great weight to the views of the panel in providing development assistance under the Alliance for Progress.

At our last meeting a year ago in Rio de Janeiro I suggested that the objectives of the Alliance for Progress could be defined as growth, stability and social equity for the individual. In

particular, I stated the conviction of the United States that financial stabilization must be accompanied by social progress and economic growth if the goals of the Alliance for Progress are to be realized. I should like on this occasion to restate and re-emphasize that belief. I think it is clear beyond any possible doubt that in our modern era democratic governments cannot long endure if they neglect the needs of the people for social improvement and rising standards of living. That is why government policy in a free society must be directed to offering education to the illiterate; assuring homes, land and food for the homeless, landless and hungry; bringing productive work to the unemployed; and instilling in the hearts of the underprivileged hope for the future instead of despair. These are tasks of statesmanship which require positive and forward-looking programs, not merely negative restraints. They demand intelligent, imaginative planning for the use of national resources. They call for courageous political leadership to bring about changes in society often contrary to the immediate interests of powerful opposing minorities. Financial stabilization, even though it is essential to the process of widely-shared growth, cannot by itself meet the insistent demands of the people for the better life denied them by the existing order of things. And experience shows that efforts to achieve financial stabilization will themselves be overthrown by irresistible pressures in the absence of effective and concrete programs to bring economic growth and social improvement in a measurable and tangible form. What is called for are policies which continually blend financial stability with economic and social development.

The Alliance for Progress is a ten-year program which is only a year old. We have accomplished much in one year, but history is in a hurry.

Whether we delay or act, whether we succeed or fail, we know that present conditions will not endure. The winds of change are blowing throughout the world. Let us then employ our wisdom, our energy, and our dedicated efforts in striving for a peaceful change to a better life in freedom, in striving to save our peoples from the violent change of bloodshed and tyranny.

I offer the words of the President of the United States, delivered last month on the first anniversary of the Alliance:

"The Charter of Punta del Este which last August established the Alliance for Progress is the framework of goals and conditions for what has been called 'a peaceful revolution on a Hemispheric scale.'

"That revolution had begun before the Charter was drawn. It will continue after its goals are reached. If its goals are not achieved, the revolution will continue, but its methods and results will be tragically different. History has removed for governments the margin of safety between the peaceful revolution and the violent revolution. The luxury of a leisurely interval is no longer available."

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If we do so, we can make significant progress toward achieving our goals of more rapid growth, price stability, fuller employment, and payments equilibrium. We can move boldly to take advantage of the competitive challenge of the Common Market, secure in the knowledge that our Nation is capable of seizing opportunities in foreign trade to help make a reality of America's vast promise of a fuller life for our own people and for free peoples everywhere.

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UNITED STATES
would improve their return flow to the [U. S.] by roughly the same amount. The resulting overall balance of payments improvement should be [some] something like $400 million a year. The great bulk of foreign investment -- and I am confident it is not made for tax purposes -- would continue as in the past. But that relatively small part that is purely tax-induced -- and we all know that it does exist -- would be eliminated, with substantial benefit to our balance of payments.

At the outset of my remarks, I said that the Common Market presents us with a challenge. But the greatest challenge lies within ourselves. We have the means at hand to solve our economic problems -- if only we will use them wisely and well. The most important is the stimulation of additional private investment in[to] productive equipment. We must use that means to the full, and in a manner that will not jeopardize the national interest by short-sighted decisions -- BE THEY [whether] public or private.

If we do so,

opposed to this approach, and so are pursuing two other avenues: We are working with our European friends in the OECD to liberalize their controls on capital movements, and we are urging them to develop their own internal capital markets so that they will not have to rely so heavily on our capital market. This is a slow process, but progress is being made. Our second method of slowing the capital outflow is by eliminating that portion of the outflow, perhaps as much as ten percent, that is induced by tax reasons. That is the basic aim of the Administration's foreign tax proposals. These proposals are not directed against foreign investment as such. They merely attempt to put investment in the other industrialized countries on a par with investment here at home, as far as tax treatment is concerned. Their enactment would not only reduce the outflow of capital for direct investment in the other industrialized countries by some ten percent, it would also remove the artificial tax incentive to retain profits abroad and so

it would improve

that Secretary McNamara has accepted a goal of a billion-dollar reduction in the net outflow of defense dollars. About half of that goal has already been achieved through the recent agreement with West Germany, by which she is sharply increasing her purchases of U. S. military equipment. We are hopeful that similar arrangements can be made with other countries. The rest of the billion-dollar goal will have to be achieved through economies in dollar expenditures.

We are also using every opportunity to channel the maximum amount of our foreign aid funds into purchases in the United States, where they do not affect our balance of payments.

But there is another important area affecting our balance of payments where action is required if we are to achieve overall balance. I refer to the steadily increasing outflow of private investment capital. The easiest way to handle this problem would be to utilize the standard European method -- exchange controls. But we are firmly

opposed to this

times.

Price stability is essential if we are to achieve our third major goal -- balance of payments equilibrium. Without it, there can be no hope of achieving balance unless we invoke drastic actions that would do as much harm as good. That was the reason for the President' great concern when, for a few days earlier this month, price stability appeared to be threatened.

Growth and price stability must both make their contribution to improving our payments problem by keeping our exports competitive. But still more is needed. For we have been forced to assume exceptional responsibilities in the defense of the free world. Those responsibilities put a great drain on our balance of payments -- a drain which has recently averaged about $3 billion a year. We must work to reduce this outflow by cutting out all non-essential costs and by obtaining offsetting payments from our European Allies for U. S. military materiel and services.

A good start has been made. You have heard the President state

American scene, we must continue to guard vigilantly against wage-price inflation, which can be just as dangerous and can strike at any time. If we are to avoid this type of inflation, prices should remain level or drop, and wage increases should be governed by increases in labor productivity. To help in defining these limits, the President's Council of Economic Advisors, in their annual report, set forth guidelines based on the performance of our economy, which has shown an average annual increase in productivity of from 2-1/2 to 3-1/2 percent. As long as our economy continues to grow and productivity continues to increase at this rate, it should be possible to absorb wage increases of like magnitude without any increases in price. And remember that productivity also applies to capital. As the productivity of capital increases, there should also be room for increases in profits, to correspond with the increased wages of labor. All this will be possible if management and labor work jointly to <u>make it possible</u> -- bearing the national interest in mind at all

times. Price

of the Exchequer has just forecast another deficit in the upcoming fiscal year. In contrast, the consolidated cash budget of the United States has been in deficit in only six out of the last eleven years.

Perhaps even more impressive is the fact that, over those same periods of time, the cumulative American deficit, as a percentage of gross national product, was the lowest. France's was the highest, with Germany next, and the United Kingdom third.

It is worthy of note that France and Germany, which run persistent deficits in their budgets, also run the greatest and most persistent surpluses in their balance of payments. That, of course, is not because of their deficits, but rather because they have maintained price stability -- the key to payments surpluses -- and have maintained it in the face of continuing full employment.

Despite the fortunate absence of demand-inflation from the American scene,

budget as well. The main point to remember about our deficits is that they [are] a reflection of the uneven pace of our economy. Cure the recessions and the deficits will also disappear.

While we are on the subject of fiscal policy, I would like to digress for a moment to compare our experience with that of some of our European friends. There is a common misconception, both here and abroad, that our fiscal or budgetary performance is poor compared to such countries as France, the United Kingdom, and West Germany. That is simply not so. A recently completed study which converts the budgets of those countries to our accounting system, shows that our record is quite good. By adapting their data to our budget accounting methods Germany would show a budget deficit in every one of the past four years -- the only years in which her post-war defense expenditure [were] of any significance. France would show them in every one of the past ten years. And the United Kingdom would show deficits in nine of the past eleven years -- and, in this connection, the Chancellor

of the Exchequer

employment since 1957. The slack in our economy was revealed by the fact that the record $12-1/2 billion deficit of fiscal year 1959 had no noticeable effect on wholesale prices. Neither has there been any effect from the $7 billion deficit we are running this fiscal year. As a matter of fact, wholesale prices are lower today than a year ago. I by no means wish to imply that we should not be concerned by deficits. But I do want to point out that the effect of a deficit on a slack economy is totally different from the effect of the same deficit on a full employment economy. We cannot afford deficits at full employment. Indeed, we anticipate substantial surpluses in such periods. With the prospect of rapid economic growth that led to last January's forecast of a gross national product of $570 billion for 1962, the President wisely presented a balanced budget. While the January and February slow-up has made the achievement of of this goal considerably more difficult, it is still possible. If we achieve it, there is no reason why we should not have a balanced budget as well.

cost-cutting machinery, will help us to achieve our two other major economic goals: reasonable price stability and balance of payments equilibrium. Price stability is a must if we are to compete successfully in world market places, and it also makes for healthy economic and social conditions at home. Fortunately, conditions today in the United States are favorable to price stability -- if only we use restraint.

The strongest type of inflation is classical demand-inflation -- too much money chasing too few goods. It is because of the danger of demand-inflation that we are wary of budget deficits. For Federal budget deficits create purchasing power. Whenever capacity is tight and demand is strong, deficits [lead almost inevitably to] a rise in prices which diminishes the value of all savings and helps no one but the lucky speculator.

However, for at least the past four or five years, we have had no problem with demand-inflation. We have not known reasonably full

employment since

and manufacture of new products, and thus help to open up new markets. It will stimulate industrial expansion and thus help to create the new jobs we so badly need. In short it will give a lift to our economy in exactly the place where it is most needed and at the very time it is most needed.

To the extent that investment is stimulated, new capital will be required. The national monetary and debt management policies that have been followed for the past year give assurance that the needed funds will be available at reasonable rates of interest. Today, with the recovery fourteen months old, the cost of new long-time corporate borrowing is lower than at any time since the economic advance got underway. At the same time, for balance of payments reasons, we have maintained and even moderately increased short-term interest rates, so as to equalize them with those obtainable abroad.

The investment credit, by promoting the use of modern,

cost-cutting machinery,

purpose would be wasteful of the government's tax dollar as compared to the credit, and would also tend to distort earnings and prices. For these two reasons, we stand firmly for the investment credit approach as the most feasible and practicable method of providing the stimulus to investment in machinery and equipment that we must have if we are to achieve the rate of growth required for a competitive and reasonably fully-employed economy.

Enactment of the investment credit also has an immediate importance. The [one great] greatest uncertainty and ~~apparent~~ the major soft spot in our current economic situation is the indication that business investment over the next year may be inadequate to sustain the pace of our recovery. Enactment of the credit will immediately generate new business in the machine tool and allied industries and will accelerate the incorporation of the latest technology into our productive system. It will shorten the lag-time between development

The second unique advantage of the credit is that it will not adversely effect costs or prices. Accelerated depreciation is often entered as an item of cost. This naturally inflates costs and shrinks profits, thus tending to promote the very price increases we must avoid.

I think you are all aware that the single largest increase in general manufacturing costs over the past few years has come from the increased depreciation write-offs permitted by the 1954 law which updated and liberalized depreciation procedures. This increase in costs was fully warranted, since it recognized the actual obsolescence rates of machinery. That is what depreciation is for and this will, of course, also be the effect of our administrative reforms. However, when it comes to an incentive, over and beyond realistic depreciation, the situation is quite different. As I have pointed out, the use of accelerated depreciation for this

purpose would be

profitability of investment as a special forty percent first year depreciation write-off. However, when we calculate the effect of these two methods on our tax revenues, we find that the first year revenue cost of the credit is $1.35 billion, while the cost of the forty percent initial allowance is $5.3 billion. Over a five-year period, assuming steady growth in the economy, the credit might cost something like $10 billion, compared to $24 billion for the forty percent first year write-off. Similar results are reached when we compare the cost of other methods of accelerating depreciation to that of the credit.

I think you will all agree that government in these days should make every effort to get the most out of its dollars. Avoidance of waste is just as important in tax policy as it is in expenditure policy. And that is one very good reason why we prefer the investment credit to the more expensive and less effective route of accelerated depreciation.

The second unique

machinery and equipment is concerned.

The same result can, of course, be accomplished by various methods of accelerating depreciation beyond what is called for by realistic depreciable lives. But in the Treasury's view, the investment credit has two clearcut and important advantages over all methods of accelerated depreciation. The first is that the investment allowance or credit, utilizing the principal of an allowance over and above 100% [PER CENT] of original cost, increases the profitability of a given investment far more than any equivalent acceleration of depreciation. One of the most thorough studies on the subject, prepared for its membership in the machine tool industry by the Machinery and Allied Products Institute, finds that on a typical fifteen year asset, an eight percent investment credit has the same effect on profitability as a forty percent first year depreciation write-off. Let me repeat that. The eight percent investment credit which we are recommending has the same effect on

profitability of

now being adopted in Australia.

The resulting contrast with current practices here is dramatic. Taking the case of a piece of equipment, which has a fifteen-year life under our present laws, we find that manufacturers in Western Europe and Japan can write off an average of twenty-nine percent on similar equipment in the first year, compared to only 13.3 PERCENT for American industrialists. Modernizing administrative practices can [only] [close] a small percentage of this gap. If American industry is to compete effectively, we must provide special incentives comparable to those available abroad. The only possible question can be over the way in which these incentives should be provided. The investment credit is one such way -- and an extremely effective one. The combination of an eight percent investment credit and modernized administrative procedures will put American manufacturers on a [fully] comparable footing with their foreign competitors as far as investment in

machinery and

various pieces of equipment used by industry. One of our major aims in modernizing administrative depreciation practices is to reduce this area of contention and uncertainty to a minimum. We are confident that very significant progress is possible.

But all we can accomplish by the administrative route is not sufficient to meet the needs of American industry in today's competitive world. All of our competitors in Europe, Canada, and Japan go farther by providing some form of special incentive to modernize. Some of them use unrealistically short lives, which work in the same manner as the five-year amortization we have used in times of defense emergency. Others provide substantial special write-offs in the first year, usually called initial allowances. More recently, some of them have been turning to allowances over and above one hundred percent of depreciation -- the same principle we are advocating in our investment credit. Such investment allowances are presently in effect in Belgium, the United Kingdom, and the Netherlands, and are

now being adopted in

studies, underway for nearly two years -- and which for the first time take account of anticipated future obsolescense -- indicate that we will also be able to [very] substantially reduce the average guideline lives for depreciation. In the case of the textile industry, where the task has already been completed, the reductions averaged forty percent. However, since our manufacturers are already legally writing off their equipment at considerably faster rates than are provided in existing guidelines, the actual benefit of the revisions now underway will be considerably less than the projected percentage reductions in the guidelines. [The] present rates of depreciation are the result of agreements with revenue agents. These agreements have not been reached easily. They have involved a great deal of debate and compromise. Sometimes, they have required resort to the courts. Such unfortunate controversy has been the inevitable result of out-of-date guidelines which forced revenue agents to rely upon their own judgment in determining depreciable lives for the

various pieces of

competitive position in the world.

During the past year, I have found general agreement that it is necessary to liberalize our treatment of depreciation so as to stimulate investment. A good deal can be done under present law, for our depreciation statutes are not as bad as they are often depicted. It is the administration of the law that has been primarily at fault. Revenue agents have been required to use as their guide for depreciation allowances, a bulletin put out by the Internal Revenue Service twenty years ago and never since modified. And, as if this obsolescense of the guide lines were not enough, it has also become clear that the basic concept in the guidelines of separate depreciable lives for each and every tool and machine brings with it a great deal of unnecessary paper work and argument. We intend to thoroughly revise and update these instructions. In our revision we will set forth broad classes of equipment to replace the 5000 odd items presently listed in Bulletin F, as it is called. Treasury studies, underway

setting conducive to risk-taking -- a setting that will give full play to individual initiative and effort -- one that will genuinely stimulate investment. Such a tax structure calls for a basic revision of our income tax system, and that is exactly what the President has had in mind for the past year. At his direction, we in the Treasury have been working hard to develop such a new tax program. But taxes are complex. They effect every facet of our lives. They take time to develop, as well as to enact. The initial program submitted last year is still before the Congress. This has slowed our progress in developing the new program, but our work is progressing and we [will be ready with] proposals for overall reform of the income tax rate structure. [in time for its consideration by the Congress early in the next session.]

In the meantime, we are hopeful of rapid Congressional approval of the current tax bill, since its major element, the investment credit, is absolutely essential both to our growth and to our

competitive position

automatic reduction in tax revenues that has been so effective during recent recessions. While there is understandable reluctance to grant such new authority, the concept of temporary tax reduction as an anti-recession measure appears to be generally accepted. Limited authority to the President under strict Congressional control would seem the best way of carrying out this concept.

The third element in the President's anti-recession program is limited standby authority to initiate or speed up public works programs of the type that could be gotten underway rapidly, and substantially completed within twelve months.

These three new tools would greatly enhance our ability to deal with the economic slow-downs that have characterized our post-war economy. In so doing they should make possible a substantially more rapid rate of growth over the years ahead.

Rapid growth in our free enterprise system also requires a tax

in recession and it is these recessions, moderate though they have been, that are primarily responsible for our inadequate growth rate over the past decade.

The President's program is designed to give us the tools we need to effectively combat these economic slow-downs:

First, there is a need for better unemployment insurance. This need became glaringly apparent during the past two recessions, when we were caught with an inadequate unemployment compensation system that made no provision for the long-time unemployed, whose ranks swell every time business slows down. Congress has twice been forced to improvise with temporary unemployment compensation measures. The time has clearly come to take account of those experiences and enact a permanent law along the lines proposed by the President, a law which would adequately meet the problem.

Second, the President has asked for limited authority to order modest temporary tax reductions that would further speed the

automatic reduction

recession[5] and, if they occur, to mitigate their effect. We must have a tax system that will stimulate both individual initiative and private investment. AND must have capital readily available to finance the needs of the economy.

The Administration is moving actively in all these areas. The President has submitted a three-point program to the Congress that would improve the effect of the so-called automatic stabilizers in moderating recessions. These automatic stabilizers are the increased unemployment payments and the decline in income tax revenues, particularly in corporate taxes, that automatically accompany any recession. Their action simultaneously decreases the government's tax take from the economy, and increases government payments in the area where they will do the most good. These automatic stabilizers have softened post-war recessions, which have had little resemblance to the depressions of earlier days. Even so, we still spend too much time

Growth is essential to our continuing prosperity because we must grow faster if we are to provide reasonably full employment for our constantly enlarging labor force. Only through rapid growth can new technology be put to work fast enough to keep us competitive. Growth is also essential to long term equilibrium in our balance of payments. We cannot hope to solve our payments difficulties if our growth rate continues to drag along at little more than half that of our friends and competitors in Western Europe and Japan.

If we are to increase our growth from the rate of about three percent a year that characterized the Fifties, to the 4-1/2 percent that has been set by the Organization For Economic Cooperation And Development as a fair and reasonable goal for its members in the Sixties, we must have an economic environment that will stimulate productive investment and business activity. Demand must be adequate to absorb our production. We must make every effort to avoid

recession and,

of this Nation and the survival of freedom itself.

In shaping our over-all response to the challenge of the Common Market, we must keep constantly in mind these major national economic goals:

First, achieving the more rapid rate of economic growth that we must have to solve our persistent unemployment problem, as well as to remain competitive.

Second, maintaining reasonable price stability, which is essential if we are to increase our export sales, solve the imbalance in our international payments, and ensure the full enjoyment of their later years by senior citizens living on fixed retirement incomes.

Third, [the] achieving and maintaining balance of payments equilibrium in a fashion that will permit us to carry our proper share of the free world's defense and furnish a fair proportion of the assistance needed by the newly-developing nations.

Growth is essential

In responding to the challenge of the Common Market, we must realize that we live today in a highly competitive, fast-changing new world, in which trade barriers are rapidly being lowered or eliminated. President Kennedy's new trade program recognizes that without mutual tariff reductions, we will be hobbled in our efforts to compete with foreign producers and will be unable to take advantage of the opportunities posed by the Common Market. But trade legislation alone will not keep us competitive. We must compete _effectively_. This calls for ingenuity and energy in developing new products and new markets, and it demands that the costs of American production be competitive.

These are not simple tasks. They will require concerted effort by every sector of our economy. For every sector of our economy is intimately involved. There is far more at stake than trade. The real stakes are the continued strength and well-being

TREASURY DEPARTMENT
Washington

FOR RELEASE 6:30 P.M., EST
TUESDAY, APRIL 24, 1962

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE ECONOMIC CLUB OF NEW YORK
TUESDAY, APRIL 24, 1962, 6:30 P.M. EST

"RESPONDING TO THE CHALLENGE OF THE COMMON MARKET"

The fabulous success of the European Common Market presents this Nation with a challenge -- an opportunity -- and a promise:

-- A challenge, because the industrial might and know-how of the Common Market make it a formidable competitor in the trading centers of the world.

-- An opportunity, because the increasing demands of its thriving peoples are creating potentially vast new markets for America products.

-- A promise, because the prospering nations in the Common Market now have the capacity to assume a larger and more appropriate share of the cost of strengthening the defensive forces of freedom and of assisting less fortunate nations along the path to progress.

In responding

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In responding to the challenge of the Common Market, we must realize that we live today in a highly competitive, fast-changing new world, in which trade barriers are rapidly being lowered or eliminated. President Kennedy's new trade program recognizes that without mutual tariff reductions, we will be hobbled in our efforts to compete with foreign producers and will be unable to take advantage of the opportunities posed by the Common Market. But trade legislation alone will not keep us competitive. We must compete _effectively_. This calls for ingenuity and energy in developing new products and new markets, and it demands that the costs of American production be competitive.

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economy is intimately involved. There is far more at stake than trade. The real stakes are the continued strength and well-being of this Nation and the survival of freedom itself.

In shaping our over-all response to the challenge of the Common Market, we must keep constantly in mind these major national economic goals:

First, achieving the more rapid rate of economic growth that we must have to solve our persistent unemployment problem, as well as to remain competitive.

Second, maintaining reasonable price stability, which is essential if we are to increase our export sales, solve the imbalance in our international payments, and ensure the full enjoyment of their later years by senior citizens living on fixed retirement incomes.

Third, achieving and maintaining balance of payments equilibrium in a fashion that will permit us to carry our proper share of the free world's defense and furnish a fair proportion of the assistance needed by the newly-developing nations.

Growth is essential to our continuing prosperity because we must grow faster if we are to provide reasonably full employment for our swelling labor force. And only through rapid growth can new technology be put to work fast enough to keep us competitive. Growth is also essential to long term equilibrium in our balance of payments. We cannot hope to solve our payments difficulties if our growth rate continues to drag along at little more than half that of our friends and competitors in Western Europe and Japan.

If we are to increase our growth from the rate of about three per cent a year that characterized the Fifties, to the 4-1/2 per cent that has been set by the Organization For Economic Cooperation And Development as a fair and reasonable goal for its members in the Sixties, we must have an economic environment that will stimulate productive investment and business activity. Demand must be adequate to absorb our production. We must make every effort to avoid recessions and, if they occur, to mitigate their effect. We must have a tax system that will stimulate both individual initiative and private investment. And we must have capital readily available to finance the needs of the economy.

The Administration is moving actively in all these areas. The President has submitted a three-point program to the Congress that would improve the effect of the so-called automatic stabilizers in

moderating recessions. These automatic stabilizers are the increased unemployment payments and the decline in income tax revenues, particularly in corporate taxes, that automatically accompany any recession. Their action simultaneously decreases the government's tax take from the economy, and increases government payments in the area where they will do the most good. These automatic stabilizers have softened post-war recessions, which have had little resemblance to the depressions of earlier days. Even so, we still spend too much time in recession and it is these recessions, moderate though they have been, that are primarily responsible for our inadequate growth rate over the past decade.

The President's program is designed to give us the tools we need to effectively combat these economic slow-downs:

First, there is a need for better unemployment insurance. This need became glaringly apparent during the past two recessions, when we were caught with an inadequate unemployment compensation system that made no provision for the long-time unemployed, whose ranks swell every time business slows down. Congress has twice been forced to improvise with temporary unemployment compensation measures. The time has clearly come to take account of those experiences and enact a permanent law along the lines proposed by the President, a law which would adequately meet the problem.

Second, the President has asked for limited authority to order modest temporary tax reductions that would further speed the automatic reduction in tax revenues that has been so effective during recent recessions. While there is understandable reluctance to grant such new authority, the concept of temporary tax reduction as an anti-recession measure appears to be generally accepted. Limited authority to the President under strict Congressional control would seem the best way of carrying out this concept.

The third element in the President's anti-recession program is limited standby authority to initiate or speed up public works programs of the type that could be gotten underway rapidly, and substantially completed within twelve months.

These three new tools would greatly enhance our ability to deal with the economic slow-downs that have characterized our post-war economy. In so doing they should make possible a substantially more rapid rate of growth over the years ahead.

Rapid growth in our free enterprise system also requires a tax setting conducive to risk-taking -- a setting that will give full play to individual initiative and effort -- one that will genuinely stimulate investment. Such a tax structure calls for a basic revision of our income tax system, and that is exactly what the

President has had in mind for the past year. At his direction, we in the Treasury have been working hard to develop such a new tax program. But taxes are complex. They effect every facet of our lives. They take time to develop, as well as to enact. The initial program submitted last year is still before the Congress. This has slowed our progress in developing the new program, but our work is progressing and we fully intend to submit proposals for overall reform of the income tax rate structure.

In the meantime, we are hopeful of rapid Congressional approval of the current tax bill, since its major element, the investment credit, is absolutely essential both to our growth and to our competitive position in the world.

During the past year, I have found general agreement that it is necessary to liberalize our treatment of depreciation so as to stimulate investment. A good deal can be done under present law, for our depreciation statutes are not as bad as they are often depicted. It is the administration of the law that has been primarily at fault. Revenue agents have been required to use as their guide for depreciation allowances, a bulletin put out by the Internal Revenue Service twenty years ago and never since modified. And, as if this obsolescence of the guidelines were not enough, it has also become clear that the basic concept in the guidelines of separate depreciable lives for each and every tool and machine brings with it a great deal of unnecessary paperwork and argument. We intend to thoroughly revise and update these instructions. In our revision we will set forth broad classes of equipment to replace the 5000 odd items presently listed in Bulletin F, as it is called.

Treasury studies, underway for nearly two years -- and which for the first time take account of anticipated future obsolescence -- indicate that we will also be able to substantially reduce the average guideline lives for depreciation. In the case of the textile industry, where the task has already been completed, the reductions averaged forty per cent. However, since our manufacturers are already legally writing off their equipment at considerably faster rates than are provided in existing guidelines, the actual benefit of the revisions now underway will be considerably less than the projected percentage reductions in the guidelines. Present rates of depreciation are the result of agreements with revenue agents. These agreements have not been reached easily. They have involved a great deal of debate and compromise. Sometimes, they have required resort to the courts. Such unfortunate controversy has been the inevitable result of out-of-date guidelines which forced revenue agents to rely upon their own judgment in determining depreciable lives for the various pieces of equipment used by industry. One of our major aims in modernizing administrative depreciation practices is to reduce this area of contention and uncertainty to a minimum. We are confident that very significant progress is possible.

But all we can accomplish by the administrative route is not sufficient to meet the needs of American industry in today's competitive world. All of our competitors in Europe, Canada, and Japan go farther by providing some form of special incentive to modernize. Some of them use unrealistically short lives, which work in the same manner as the five-year amortization we have used in times of defense emergency. Others provide substantial special write-offs in the first year, usually called initial allowances. More recently, some of them have been turning to allowances over and above one hundred per cent of depreciation -- the same principle we are advocating in our investment credit. Such investment allowances are presently in effect in Belgium, the United Kingdom, and the Netherlands, and are now being adopted in Australia.

The resulting contrast with current practices here is dramatic. Taking the case of a piece of equipment, which has a fifteen-year life under our present laws, we find that manufacturers in Western Europe and Japan can write off an average of twenty-nine per cent on similar equipment in the first year, compared to only 13.3 per cent for American industrialists. Modernizing administrative practices can close only a small percentage of this gap. If American industry is to compete effectively, we must provide special incentives comparable to those available abroad. The only possible question can be over the way in which these incentives should be provided. The investment credit is one such way -- and an extremely effective one. The combination of an eight per cent investment credit and modernized administrative procedures will put American manufacturers on a comparable footing with their foreign competitors as far as investment in machinery and equipment is concerned.

The same result can, of course, be accomplished by various methods of accelerating depreciation beyond what is called for by realistic depreciable lives. But in the Treasury's view, the investment credit has two clearcut and important advantages over all methods of accelerated depreciation. The first is that the investment allowance or credit, utilizing the principal of an allowance over and above 100 per cent of original cost, increases the profitability of a given investment far more than any equivalent acceleration of depreciation. One of the most thorough studies on the subject, prepared for its membership in the machine tool industry by the Machinery and Allied Products Institute, finds that on a typical fifteen year asset, an eight per cent investment credit has the same effect on profitability as a forty per cent first year depreciation write-off. Let me repeat that. The eight per cent investment credit which we are recommending has the same effect on profitability of investment as a special forty per cent first-year depreciation write-off. However, when we calculate the effect of these two methods on our tax revenues, we find that the first-year revenue cost of the credit is $1.35 billion, while the cost of the forty per cent initial allowance is $5.3 billion.

Over a five-year period, assuming steady growth in the economy, the credit might cost something like $10 billion, compared to $24 billion for the comparable forty per cent first year write-off. Similar results are reached when we compare the cost of other methods of accelerating depreciation to that of the credit.

I think you will all agree that government in these days should make every effort to get the most out of its dollars. Avoidance of waste is just as important in tax policy as it is in expenditure policy. And that is one very good reason why we prefer the investment credit to the more expensive and less effective route of accelerated depreciation.

The second unique advantage of the credit is that it will not adversely effect costs or prices. Accelerated depreciation is often entered as an item of cost. This naturally inflates costs and shrinks profits, thus tending to promote the very price increases we must avoid.

I think you are all aware that the single largest increase in general manufacturing costs over the past few years has come from the increased depreciation write-offs permitted by the 1954 law which updated and liberalized depreciation procedures. This increase in costs was fully warranted, since it recognized the actual obsolescence rates of machinery. That is what depreciation is for and this will, of course, also be the effect of our administrative reforms. However, when it comes to an incentive, over and beyond realistic depreciation, the situation is quite different. As I have pointed out, the use of accelerated depreciation for this purpose would be wasteful of the government's tax dollar as compared to the credit, and would also tend to distort earnings and prices. For these two reasons, we stand firmly for the investment credit approach as the most feasible and practicable method of providing the stimulus to investment in machinery and equipment that we must have if we are to achieve the rate of growth required for a competitive and reasonably fully-employed economy.

Enactment of the investment credit also has an immediate importance. The greatest uncertainty and the major soft spot in our current economic situation is the indication that business investment over the next year may be inadequate to sustain the pace of our recovery. Enactment of the credit will immediately generate new business in the machine tool and allied industries and will accelerate the incorporation of the latest technology into our productive system. It will shorten the lag-time between development and manufacture of new products, and thus help to open up new markets. It will stimulate industrial expansion and thus help to create the new jobs we so badly need. In short it will give a lift to our economy in exactly the place where it is most needed and at the very time it is most needed.

To the extent that investment is stimulated, new capital will be required. The national monetary and debt management policies that have been followed for the past year give assurance that the needed funds will be available at reasonable rates of interest. Today, with the recovery fourteen months old, the cost of new long-time corporate borrowing is lower than at any time since the economic advance got underway. At the same time, for balance of payments reasons, we have maintained and even moderately increased short-term interest rates, so as to equalize them with those obtainable abroad.

The investment credit, by promoting the use of modern, cost-cutting machinery, will help us to achieve our two other major economic goals: reasonable price stability and balance of payments equilibrium. Price stability is a must if we are to compete successfully in world market places, and it also makes for healthy economic and social conditions at home. Fortunately, conditions today in the United States are favorable to price stability -- if only we use restraint.

The strongest type of inflation is classical demand-inflation -- too much money chasing too few goods. It is because of the danger of demand-inflation that we are wary of budget deficits. For Federal budget deficits create purchasing power. Whenever capacity is tight and demand is strong, deficits lead almost inevitably to a rise in prices which diminishes the value of all savings and helps no one but the lucky speculator.

However, for at least the past four or five years, we have had no problem with demand-inflation. We have not known reasonably full employment since 1957. The slack in our economy was revealed by the fact that the record $12-1/2 billion deficit of fiscal year 1959 had no noticeable effect on wholesale prices. Neither has there been any effect from the $7 billion deficit we are running this fiscal year. As a matter of fact, wholesale prices are lower today than a year ago. I by no means wish to imply that we should not be concerned by deficits. But I do want to point out that the effect of a deficit on a slack economy is totally different from the effect of the same deficit on a full employment economy. We cannot afford deficits at full employment. Indeed, we anticipate substantial surpluses in such periods. With the prospect of rapid economic growth that led to last January's forecast of a gross national product of $570 billion for 1962, the President wisely presented a balanced budget. While the January and February slow-up has made the achievement of this goal considerably more difficult, it is still possible. If we achieve it, there is no reason why we should not have a balanced budget as well. The main point to remember about our deficits is that they have been a reflection of the uneven pace of our economy. Cure the recessions and the deficits will also disappear.

While we are on the subject of fiscal policy, I would like to digress for a moment to compare our experience with that of some of our European friends. There is a common misconception, both here and abroad, that our fiscal or budgetary performance is poor compared to such countries as France, the United Kingdom, and West Germany. That is simply not so. A recently completed study which converts the budgets of those countries to our accounting system, shows that our record is quite good. By adapting their data to our budget accounting methods Germany would show a budget deficit in every one of the past four years -- the only years in which her post-war defense expenditures have been of any significance. France would show them in every one of the past ten years. And the United Kingdom would show deficits in nine of the past eleven years -- and, in this connection, the Chancellor of the Exchequer has just forecast another deficit for the upcoming fiscal year. In contrast, the consolidated cash budget of the United States has been in deficit in only six out of the last eleven years.

Perhaps even more impressive is the fact that, over those same periods of time, the cumulative American deficit, as a percentage of gross national product, was the lowest. France's was the highest, with Germany next, and the United Kingdom third.

It is worthy of note that France and Germany, which run persistent deficits in their budgets, also run the greatest and most persistent surpluses in their balance of payments. That, of course, is not because of their deficits, but rather because they have maintained competitive prices on their export goods -- the key to payments surpluses -- and have maintained them in the face of continuing full employment.

Despite the fortunate absence of demand-inflation from the American scene, we must continue to guard vigilantly against wage-price inflation, which can be just as dangerous and can strike at any time. If we are to avoid this type of inflation, prices should remain level or drop, and wage increases should be governed by increases in labor productivity. To help in defining these limits, the President's Council of Economic Advisors, in their annual report, set forth guidelines based on the performance of our economy, which has shown an average annual increase in productivity of from 2-1/2 to 3-1/2 per cent. As long as our economy continues to grow and productivity continues to increase at this rate, it should be possible to absorb wage increases of like magnitude without any increases in price. And remember that productivity also applies to capital. As the productivity of capital increases, there should also be room for increases in profits, to correspond with the increased wages of labor. All this will be possible if management and labor work jointly to <u>make it possible</u> -- bearing the national interest in mind at all times.

Price stability is essential if we are to achieve our third major goal -- balance of payments equilibrium. Without it, there can be no hope of achieving balance unless we invoke drastic actions that would do as much harm as good. That was the major reason for the President's great concern when, for a few days earlier this month, price stability appeared to be threatened.

Growth and price stability must both make their contribution to improving our payments problem by keeping our exports competitive. But still more is needed. For we have been forced to assume exceptional responsibilities in the defense of the free world. Those responsibilities put a great drain on our balance of payments -- a drain which has recently averaged about $3 billion a year. We must work to reduce this outflow by cutting out all non-essential costs and by obtaining offsetting payments from our European Allies for U. S. military materiel and services.

A good start has been made. You have heard the President state that Secretary McNamara has accepted a goal of a billion-dollar reduction in the net outflow of defense dollars. About half of that goal has already been achieved through the recent agreement with West Germany, by which she is sharply increasing her purchases of U. S. military equipment. We are hopeful that similar arrangements can be made with other countries. The rest of the billion-dollar goal will have to be achieved through economies in dollar expenditures.

We are also using every opportunity to channel the maximum amount of our foreign aid funds into purchases in the United States, where they do not affect our balance of payments.

But there is another important area affecting our balance of payments where action is required if we are to achieve overall balance. I refer to the steadily increasing outflow of private investment capital. The easiest way to handle this problem would be to utilize the standard European method -- exchange controls. But we are firmly opposed to this approach, and so are pursuing two other avenues: We are working with our European friends in the OECD to liberalize their controls on capital movements, and we are urging them to develop their own internal capital markets so that they will not have to rely so heavily on our capital market. This is a slow process, but progress is being made. Our second method of slowing the capital outflow is by eliminating that portion of the outflow, perhaps as much as ten per cent, that is induced by tax reasons. That is the basic aim of the Administration's foreign tax proposals. Those proposals are not directed against foreign investment as such. They merely attempt to put investment in the

other industrialized countries on a par with investment here at home, as far as tax treatment is concerned. Their enactment would not only reduce the outflow of capital for direct investment in the other industrialized countries by some ten per cent, it would also remove the artificial tax incentive to retain profits abroad and so would improve their return flow to the United States by rougly the same amount. The resulting overall balance of payments improvement should be something like $400 million a year. The great bulk of foreign investment -- and I am confident it is not made for tax purposes -- would continue as in the past. But that relatively small part that is purely tax-induced -- and we all know that it does exist -- would be eliminated, with substantial benefit to our balance of payments.

At the outset of my remarks, I said that the Common Market presents us with a challenge. But the greatest challenge lies within ourselves. We have the means at hand to solve our economic problems -- if only we will use them wisely and well. The most important is the stimulation of additional private investment in productive equipment. We must use that means to the full, and in a manner that will not jeopardize the national interest by short-sighted decisions -- be they public or private.

If we do so, we can make significant progress toward achieving our goals of more rapid growth, price stability, fuller employment, and payments equilibrium. We can move boldly to take advantage of the competitive challenge of the Common Market, secure in the knowledge that our Nation is capable of seizing opportunities in foreign trade to help make a reality of America's vast promise of a fuller life for our own people and for free peoples everywhere.

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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 (current revision) and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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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.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. 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 February 1, 1962 (17), (91 (18) days remaining until maturity date on August 2, 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 Banks on May 3, 1962 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 3, 1962 (23). Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

April 25, 1962

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 $ 1,800,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing May 3, 1962 , in the amount of $ 1,801,487,000 , as follows:

91 -day bills (to maturity date) to be issued May 3, 1962 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 1, 1962 , and to mature August 2, 1962 , originally issued in the amount of $ 600,310,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 600,000,000 , or thereabouts, to be dated May 3, 1962 , and to mature November 1, 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, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, April 30, 1962 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT

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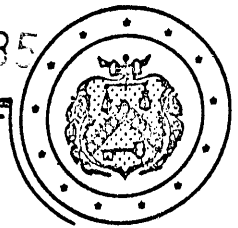

WASHINGTON, D.C.

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

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

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TREASURY DEPARTMENT 486 485

WASHINGTON, D.C.

April 26, 1962

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, APRIL 27, 1962

TREASURY REGULATIONS ON TAXATION OF REAL ESTATE INVESTMENT TRUSTS

The Treasury Department announced today the issuance of regulations covering the taxation of real estate investment trusts. Real estate investment trusts are organizations specializing in investments in real estate and real estate mortgages. They receive essentially the same tax treatment as regulated investment companies, popularly known as mutual funds, which specialize in investments in stocks and securities.

With the publication of the regulations in the Federal Register, the Treasury cautioned investors that statements by a trust to the effect that it meets the requirements of the Real Estate Investment Trust Act do not mean that the Treasury or the Internal Revenue Service in any way approve of the trust or its investments. Such a statement or any similar to it merely indicates that a trust, in the opinion of its trustees or their advisors, for the purposes of Federal taxation intends to conform to the rules prescribed in the Act and the tax regulations in order to be taxed as a real estate investment trust.

Neither the Treasury nor the Internal Revenue Service, the Department pointed out, exercises any supervision over the management or the investment policies of real estate investment trusts, and therefore has no responsibility for approving or disapproving their activities.

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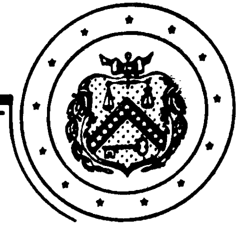
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 26, 1962

FOR RELEASE A.M. NEWSPAPERS
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TREASURY DEPARTMENT

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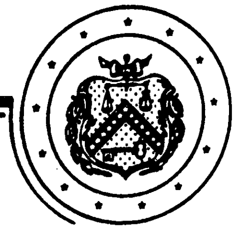

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE April 26, 1962

TREASURY TO REFUND $11.7 BILLION OF SECURITIES
MATURING MAY 15 AND JUNE 15

The Treasury is offering holders of Treasury securities maturing May 15 and June 15, 1962, aggregating $11,683 million, the right to exchange them for any of the following securities:

3-1/4% Treasury certificates of indebtedness to be dated May 15, 1962, and to mature May 15, 1963, at par;

3-5/8% Treasury notes to be dated May 15, 1962, and to mature February 15, 1966, at 99.80, to yield about 3.68 percent to maturity; or

3-7/8% Treasury bonds to be dated May 15, 1962, and to mature November 15, 1971, at 99.50, to yield about 3.94 percent to maturity.

Cash subscriptions for the new securities will not be received. The maturing issues eligible for exchange are as follows:

$5,509 million of 3% Treasury Certificates of Indebtedness of Series A-1962, dated May 15, 1961, maturing May 15, 1962;

$2,211 million of 4% Treasury Notes of Series E-1962, dated April 14, 1960, maturing May 15, 1962; and

$3,963 million of 2-1/4% Treasury Bonds of 1959-62, dated June 1, 1945, maturing June 15, 1962.

The subscription books will be open only on April 30 through May 2 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 May 2, will be considered as timely. The new securities will be delivered May 15, 1962. Interest on the 2-1/4% bonds which are exchanged will be paid through May 15, as indicated below. The new certificates of indebtedness will be available only in bearer form. The new notes and bonds will be made available in registered as well as bearer form.

Interest on the 3-1/4% certificates of indebtedness will be paid on November 15, 1962, and May 15, 1963. Interest on the 3-5/8% notes will be paid on August 15, 1962, and semiannually thereafter on February 15 and August 15. Interest on the 3-7/8% bonds will be paid on November 15, 1962, and semiannually thereafter on May 15 and November 15.

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Exchanges of 3% certificates and 4% notes

Exchanges of the 3% certificates and 4% notes maturing May 15, 1962, may be made for a like face amount of any of the securities included in this exchange offering. Coupons dated May 15, 1962, on the maturing 3% certificates and 4% notes in bearer form should be detached by holders and cashed when due. Subscribers to the new 3-5/8% notes and 3-7/8% bonds will be paid, respectively, $2.00 and $5.00 per $1,000, representing the discount on these securities.

Exchanges of 2-1/4% bonds

Exchanges of the 2-1/4% bonds maturing June 15, 1962, may be made for a like face amount of any of the securities included in this exchange offering. Coupons dated June 15, 1962, must be attached to the maturing 2-1/4% bonds in bearer form when surrendered for exchange. Payments will be made to holders who exchange their 2-1/4% bonds as follows:

2-1/4% Bonds exchanged for	Credits per $1,000		Amount to be paid to subscriber
	Accrued interest on 2-1/4% Bonds to 5/15/62	Discount on new securities	
3-1/4% certificates 5/15/63	$9.33379	- -	$ 9.33379
3-5/8% notes 2/15/66	9.33379	$2.00	11.33379
3-7/8% bonds 11/15/71	9.33379	5.00	14.33379

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